



Aerospace Industrial Development Corporation

Annual Report 2021

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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Deputy Spokesperson: Chun Chou	Tel: 886-4-22842881
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I. Letter to Shareholders

Dear Valued Shareholders,

Since the outbreak of the coronavirus (COVID-19) in 2020, its muted variants wrecked across the globe, forcing every country to perform rigorous border control. While the pandemic started to slow down in 2021 by the crucial development of vaccines and their increased production, the aviation industry was able to slowly recover from the deadly strike it had been suffered. Under such circumstance, the Company doubled its attention in the military business to compensate the market downturn in the commercial sector, and at the same time, adjusted its strategies to cope with the market twist, which includes new business development, cost down, deepened training, accountability, and lean. The collective efforts resulted in the following achievements in Fiscal Year 2021.

In the military sector, Chairman Hu Kai-Hung personally co-flighted the AJT (Advanced Jet Trainer) to show the Company's determination in delivering high performance jet trainers. The first delivery was made in March 2021, and the 2nd shipset followed in December, also flown to the customer by Chairman Hu himself. The first 2 successful deliveries unveiled the AJT mass production.

In line with the objectives of self-sufficiency and localization, AIDC signed a 5-year open contract in January 2021 with the Air Force for the maintenance of the F-16. Additionally, the F-16A/B upgrade and the maintenance projects which include the IDF and the helicopters were all conducted on time and on expectations.

With the existing projects running in good order, the Company worked closely with the NCSIST (National Chung-Shan Institute of Science and Technology) to explore possible support where AIDC may offer in the future in co-development and production.

As soon as the borders started to reopen after the pandemic had eased off, Chairman Hu Kai-Hung led a team in October 2021 to visit 13 US based companies including Honeywell, GE, and Lockheed Martin. President Ma Wan-June followed in November with another team visiting the Dubai Air Show, where he met with tens of system suppliers and the prime defense contractors like Lockheed Martin and BAE. The agenda of these two trips were high level management discussions for the AJT 、 F-16A/B upgrade, aero engine business development, primary trainer, and the next generation fighter jet.

In commercial business, the passenger air traffic experienced slow recovery due to the COVID-19 variants. Such impact also affected the entire supply chain. The Company had its near-term strategy aim to sustain the existing orders and strived to increase the volume based on the current orders, while in the long-term continue to search for new aircraft and new engine joint venture opportunities for systems and components; research and develop larger aero engine cases; and cultivate engine maintenance business.

In particular, the Company's Technology Implementation sector took a great leap in 2021 upon its long-term diversification effort. As zero emission and energy saving become the most pressing global issues, in addition to its existing biogas power generation business, the Company activated the automatic frequency control (AFC) service and participated in power trading starting October 2021 by its newly established 5MW energy storage system.

Furthermore, AIDC and TAV (Tangeng Advanced Vehicles) together with members in the Taiwan eBus industry organized the CTP (Commercial Taiwan Partnership) for cooperation in the eBus business development. Dubbed Alighter, the new ebus supported by the CTP debuted in Taipei in January 2022. The Alighter will be promoted in the markets of Southeast Asia, Japan, the US, and Europe to show that Taiwan is not absent in the global effort for green sustainability.

The Company appreciates the continuous support from all its most valued shareholders. The summary of the report on the operation results for FY 2021 and the business plan for FY 2022 are presented hereunder.

FY 2021 Operation Highlight

Revenue and Income

The momentum of the AJT mass production and the F-16 A/B upgrade brought steady growth to the Company's defense business, while the commercial sector was favored by mild recovery in passenger air traffic from AIDC's clients such as GE and Bombardier. As a result, the operating profit in FY 2021 was NT\$23.7 billion, which constituted a 12.8% increase comparing to the previous year. The net income was NT\$558 million with EPS at NT\$0.59, which increased 41% in comparison with the previous year with profit margin at 2.4% that also exceeded the previous year.

Research and Development

The R&D expenses of AIDC in FY 2021 amounted to NT\$544 million with 37 R&D projects in a spectrum of 5 categories consisted of: application of military core technologies, new product development, management skills, maintenance technologies, and manufacturing technologies. They were conducted in support of the objectives of expanding the Company's core capabilities, as well as increasing business opportunities in both military and commercial sectors.

Credentials and Awards

Corporate Governance:

- * Ranked in the Top 5% of the TWSE listed companies in the Corporate Governance Evaluation in Apr. 2021
- * Awarded Diamond Supplier from Bombardier in Jul. 2021
- * Awarded "the Excellent in the Smart Manufacturing" by Harvard Business Review in Sep. 2021
- * The Gulfstream G700 test aircraft, which uses Pearl 700 Advanced 2 engine, took its first flight in Sep. 2021. As the core components supplier of the Rolls-Royce Pearl 700 Advance 2 engine, AIDC's contribution is recognized by Rolls-Royce.
- * Awarded "National Industrial Innovation" (Innovation Trailblazer of the Year) from Ministry of Economic Affairs in Nov. 2021
- * Awarded Golden Medal in TTQS Evaluation by Workforce Development Agency of Ministry of Labor in Dec. 2021

Sustainable Environment:

- * Awarded "Excellent Performance in Reducing Green House Gas" by Environmental Protection Bureau of Kaohsiung City Government in Sep. 2021
- * Awarded "Green Procurement Enterprise" by Taichung City Government in Nov. 2021
- * Awarded "R.O.C Enterprise Environmental Protection Award" (Bronze Medal in the Manufacturing category) in Nov. 2021
- * Granted "2021 Taiwan Corporate Sustainability Award" (Corporate Sustainability Report Award, Sustainability Performance Awards and Best Performance in Information Security, Innovation and People Development) in Nov. 2021

Labor-Management Relation

- * Granted "Excellent Health Occupational and Health Management" from the Ministry of Health and Welfare in Jan. 2021
- * Awarded "Excellent Health Occupational and Health Management" from Taichung City Government in May 2021
- * Awarded the "Five-Star Happy Workplace" from the Labor Affairs Bureau of Taichung City Government in Nov. 2021
- * Awarded the "Enterprise Volunteer Team" from Kaohsiung City Government in Dec. 2021
- * Awarded "Excellent Enterprise of Hiring disabilities" from Kaohsiung City Government in Dec. 2021

Business Plan for FY 2022

Business Development Plan

- * Defense Business: Positioned as a system integrator, the Company continues to dedicate in R&D and enhancement of technical capabilities of its supply chain to increase local content rate to support national defense requirement. With its strength and past experiences in aircraft R&D and production, AIDC remains confident in providing services such as aircraft full-scale development, mass production, performance upgrade, life extension, maintenance, and flight services.
- * Civil Aviation Business: In addition to targeting the engine related parts and aerostructure parts such as the flight control surface; cabin door; and fuselage of business jet and regional jet, AIDC also actively pursues non-aerostructure businesses to counterbalance the impact of the pandemic.
- * Technology Implementation: In conformity with the global net zero emission effort; Taiwan's overall energy saving and carbon reduction target; and the government's policy of "Prevention Precedes Relief" in disaster management, AIDC continues to strengthen its business deployment in the electric bus, power storage, carbon reduction, disaster prevention, flight service for atmospheric measurement, and technical services for the advanced simulation, elements of satellite, and communication system integration.

Corporate Management Policy

The Balanced Scorecard is the Company's management tool that interlocks corporate visions, strategies, goals, priorities, and action plans together to ensure all operational activities are supporting AIDC's corporate sustainability. For the coming fiscal year, AIDC strives for deeper and wider endeavors in new business development, cost down, training, accountability, and lean, so as to sail through the aftermath of the pandemic and secure the operational goal of 2022.

The COP26 2021 made the carbon reduction a global consensus. While achieving Net Zero Emission has become a common goal across the world, Taiwan also announced her net zero target set by 2050. Being a leading company in Taiwan's aerospace industry that also supports the national defense, AIDC responds to carbon reduction without hesitation by formulating a roadmap and setting up milestones that will lead AIDC to become carbon neutral by 2050.

As such, the Company will continue to expand the aerospace business; extend its core capabilities to participate in the new markets derived from the global net zero effort; and develop complementary marketing power to create multiple momentum that will contribute to the long-term corporate growth and create sustainability value that will benefit its customers, shareholders, employees, and the society.

I wish you all good fortune and good health.

Kai-Hung, Hu
Chairman



II. Company Profile

1. Date of Establishment

Aerospace Industry Development Corp. was established on July 1, 1996.

2. Chronicle

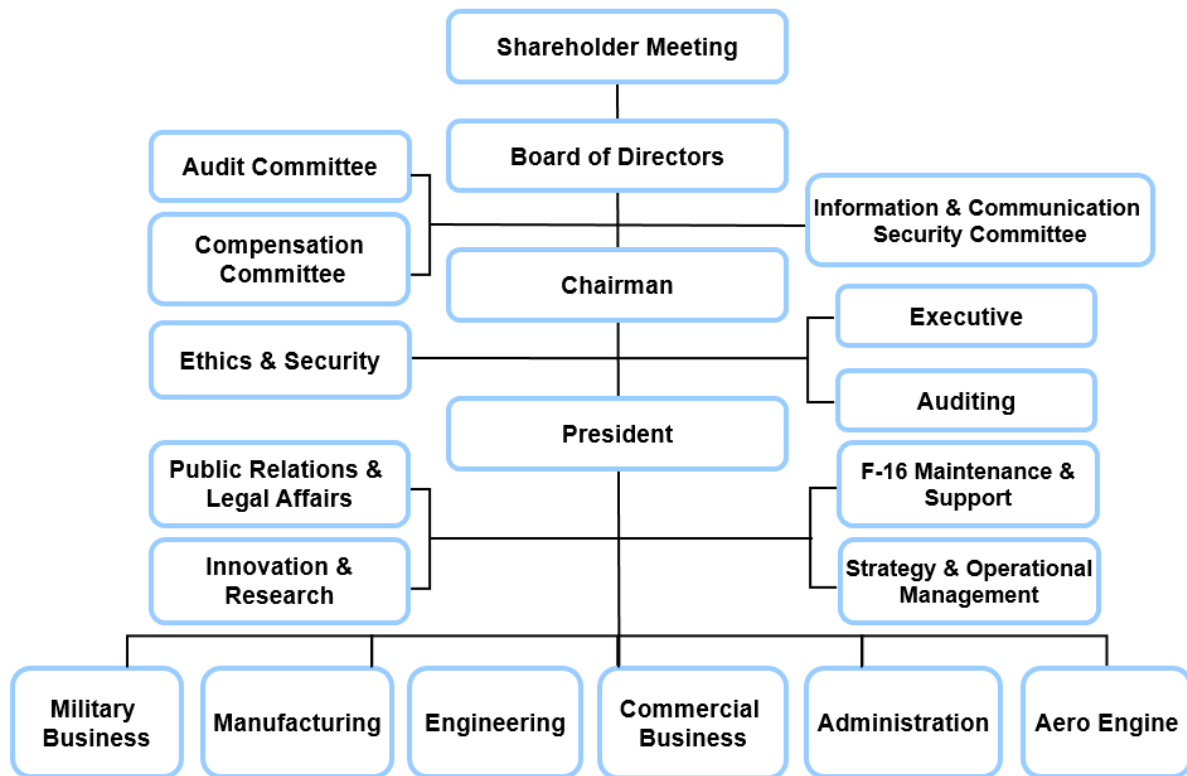
Year	Milestones
1996	<ol style="list-style-type: none"> 1. Reorganized as “Aerospace Industry Development Corporation” and transferred to the Ministry of Economic Affairs. AIDC then moves towards the reengineering as an enterprise, privatization and internationalization. The corporate strategy has also been attuned from military aviation to military and commercial aviation. 2. Entered into a joint venture agreement with Sikorsky Aircraft United Technologies Corp. for the development of the S-92 helicopter. This is the very first time that this entity was engaged in an international big firm in aircraft manufacturing for joint design and development of an aircraft before turning into a state-owned enterprise.
1999	<ol style="list-style-type: none"> 1. Entered into an agreement with Bombardier for the joint development of the tail for the CL300 commercial aircraft. This was a milestone of AIDC for the development of commercial aviation technology. 2. Ended the production of the IDF.
2000	Engine Casing Plant No. 1 was established. This laid down the foundation of production capacity for civil aircraft engine casing.
2006	The upgrade of IDF “Ching Kuo” under the schemed codenamed as “F-KC-1, C/D, Hsiang Sheng”. The IDF has successfully launched its pilot flight in the air show after the upgrade.
2008	Delivery of the 100 th S-92 helicopter cockpit.
2009	Entered into a supply agreement with MITAC of Japan for supply system parts of aircrafts, and participated in the design and manufacturing of products for the MRJ.
2010	The official opening of Taiwan Advanced Composite Center (TACC), which was a milestone for the development of the aerospace industry and composite materials industry in the history of Taiwan.
2011	<ol style="list-style-type: none"> 1. Accomplishment of the IDF Ching Kuo upgrade program with the delivery of the first batch of upgraded jet fighters. 2. Accomplishment of the debut flight from Taichung to Kinmen, the launch of commercial chartered flight service provided by AIDC. This started the new era of AIDC in participation in commercial chartered flight business.
2012	Completion of the 400 th aircraft of the CL-300 project. This is an important milestone of this project.
2013	<ol style="list-style-type: none"> 1. Received the Boeing “Performance Excellence Award” and GE Growth (Engines) Excellence Award. 2. Approved for privatization by the Executive Yuan through public offering of stocks on September 13.
2014	<ol style="list-style-type: none"> 1. AIDC became a private company on August 21 and was listed on TWSE for trading on August 25. 2. Delivery of the parts and components for the first MRJ, an important milestone of the project. 3. Received the “Supplier of the Year Award” from Sikorsky Aircraft United Technologies Corp., the “Supplier Excellence Award 2014” from American Helicopter Society, and the “Performance Excellence Award” from The Boeing Company. 4. Delivery of the 10,000th Rolls-Royce engine case.
2015	<ol style="list-style-type: none"> 1. Delivery of the 300th S-92 cockpit made in Shalu Complex in April 2. Received “Award of the Year 2015 for Best Partner” from Mitsubishi Aircraft Corporation in December 3. Organized Taiwan Aviation Industry Forum in December which paved the way for Taiwan Aerospace A-Team to become a major supply chain of global aerospace industry.
2016	<ol style="list-style-type: none"> 1. AIDC set up the US subsidiary, AIDC USA LLC, on March 2, 2016. 2. Grand opening of 3 new facilities: ECMC in April, TACC-19 in July and GE LEAP Caseline in

Year	Milestones
	<p>November.</p> <p>3. Delivery of the 1000th Airbus A321 16A barrel in February; delivery of the 50,000th GE Engine Case in November.</p>
2017	<p>1. Grand opening of the new #23 military maintenance building in February.</p> <p>2. Signed the Advanced Jet Trainer Commission Agreement with National Chung Shan Institute of Science and Technology in April.</p> <p>3. AIDC transferred the ITEC LLC equity it held to its subsidiary, AIDC USA LLC in April, and the transfer amount was deemed as capital injection to AIDC USA LLC.</p> <p>4. AIDC and Cheng Kung University delivered the Upgraded Tracker Thermal Pump System Flight Radiator in November.</p> <p>5. Completed delivery of F-CK-1 C/D to ROCAF in December.</p>
2018	<p>1. Held the debut of self-branded aircraft seat in March, aiming to integrate the domestic supply chain for entrance into the international civil aviation market.</p> <p>2. AIDC launched assembly of the Advanced Jet Trainer in June.</p> <p>3. Completed the upgrade of “F-CK-1 C/D, Hsiang Sheng” single- and twin-seat prototype jets and delivered to ROCAF in October.</p> <p>4. AIDC was presented “Smart Machinery Golden Award” by the Industrial Development Bureau (IDB), under the Ministry of Economic Affairs in November, and announced 2019 as the Year of SPEED.</p>
2019	<p>1. Awarded the Letter of Design Approval (LODA) for AIDC Brand 16G Commercial Airlines Seats by the Federal Aviation Administration (FAA) of the United States in August.</p> <p>2. Held the Advanced Jet Trainer Rollout Ceremony in September.</p> <p>3. Signed Cooperation Memorandum of Intent with China Airlines for a New Pattern of Aviation Maintenance in November.</p> <p>4. Signed Strategic Alliance MOU with Lockheed Martin Corporation in December.</p>
2020	<p>1. The Advanced Jet Trainer has successfully launched its inaugural flight in June.</p> <p>2. AIDC set up the F-16 Maintenance & Support Department in August.</p>
2021	<p>Chairman Hu Kai-Hung personally co-flown the AJT (Advanced Jet Trainer) to show the Company’s determination in delivering high performance jet trainers. The first delivery was made in March 2021, and the 2nd shipment followed in December.</p>

III. Corporate Governance Report

1. Organization

1.1 Organization Chart



1.2 Major Corporate Functions

The defense industry system is responsible for military aircraft, aircraft maintenance and avionics, flight service and GO-CO program operation.

The production system is responsible for the aircraft parts and component fabrication, assembly, testing, service and support.

The engineering system is responsible for engineering design and system integration, quality improvement, quality insurance policy, information technology and services, procurement, supplier integration, and outsourcing.

The civil aviation system is responsible for the commercial aircraft market analysis, business strategy and development, operations and production, program performance management, technology implementation and industrial safety and environment protection.

The administration system is responsible for finance, human resources, general affairs and investment.

The aero engine system is responsible for aero engine parts and component fabrication, assembly, testing, service and support ; and aero engine business operation.

2. Directors, Supervisors and Management Team

2.1 Directors (I)

March 31, 2022/ Unit: share; %

Title	Nationality/ Country of Origin	Name	Sex Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience/Education	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	MOEA (Note 1)		Aug 13, 2021	3Y	July 1, 1996	415,345,402	45.73	331,301,773	35.17 (Note2)	N/A	N/A	N/A	N/A	—	—	—	—	—	
	R.O.C	Representative: Hu, Kai-Hung	M 60~ 69	Aug 13, 2021	3Y	Aug 13, 2021	0	0.00	70,000	0.01	0	0	0	0	Vice Chief of the General Staff, Ministry of National Defense(MND); Inspector General, MND; Vice Commander-in-Chief, Air Force Command; Commander, Air Force Education, Training and Doctrine Development Command; Deputy Chief of Staff, Air Force Command; Director, Combat Readiness and Training Division, Air Force Command; Wing Commander, the 427th Tactical Fighter Wing; Joint Force Education, National Defense University; General Staff College of National Defense University; Air Force Academy	Chairman, AIDC; Director, Industrial Technology Research Institute; Chairman, Taiwan Aerospace Industry Association	—	—	—	
Executive Director	R.O.C	MOEA		Aug 13, 2021	3Y	July 1, 1996	415,345,402	45.73	331,301,773	35.17	N/A	N/A	N/A	N/A	—	—	—	—	—	
	R.O.C	Representative: Ma, Wan-June	M 60- 69	Aug 13, 2021	3Y	Aug 13, 2021	0	0	0	0	0	0	0	0	Vice President, National Chung-Shan Institute of Science and Technology(NCSIST); Vice President and Director of Aeronautical Systems Research Division, NCSIST; Director, Aeronautical Systems Research Division, NCSIST; Associate Director, Systems Development Center, NCSIST; Principal Investigator, Systems Development Center, NCSIST; Ph.D. in Power Mechanical Engineering, National Tsing Hua University; Master in Mechanical Engineering,	President, AIDC; Director, Metal Industries Research & Development Centre	—	—	—	

Title	Nationality/ Country of Origin	Name	Sex Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience/Education	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															National Central University; B.S. in Aeronautics and Astronautics, National Cheng Kung University					
	R.O.C	MOEA		Aug 13, 2021	3Y	July 1, 1996	415,345,402	45.73	331,301,773	35.17	N/A	N/A	N/A	N/A	—	—	—	—	—	
Director	R.O.C	Representative: Liou, Ming-Jong	M 60- 69	Aug 13, 2021	3Y	Aug 13, 2021	0	0	0	0	0	0	0	0	Director, Ministry of Economic Affairs Standards Inspection Bureau; Counselor , Ministry of Economic Affairs; Director, State-owned Enterprise Commission Affairs , MOEA; Director, China Steel Corporation; Director, Tang Eng Iron Works Co.,Ltd; Director, CSBC Corporation; Director, Vanguard International Semiconductor Corporation; Director, RSEA Engineering Corporation; Director, Taiwan Aerospace Corporation; Director, Hui Ju Investment Corporation; Supervisor, Taiwan Water Corporation; Supervisor, CTCI Foundation(formerly known as China Technical Consultants Inc.); Member, Yaohua Glass Corporation Management Board; Ph.D., Industrial Management, Taiwan Technical University Taiwan; M.S., Operation Research, Stanford University U.S.A; B.S., Chemical Engineering, National Taiwan University, Taiwan	Director, State- owned Enterprise Commission Affairs , MOEA; Director, China Steel Corporation	—	—	—	
Director	R.O.C	MOEA		Aug 13, 2021	3Y	July 1, 1996	415,345,402	45.73	331,301,773	35.17	N/A	N/A	N/A	N/A	—	—	—	—	—	

Title	Nationality/ Country of Origin	Name	Sex Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience/Education	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
	R.O.C	Representative: Chang, Ming-Pin	M 50- 59	Aug 13, 2021	3Y	Aug 13, 2021	0	0.00	0	0.00	0	0	0	0	Vice Executive Secretary and Spokesperson, Investment Commission, MOEA; Head of Division, Investment Commission, MOEA; Director, Kuo Kuang Power Co., LTD; Commissioner, Review Committee, National Development Fund , Executive Yuan; Member, Examination Committee for Establishment Application of Business Entity in the Economic Processing Zone; Master of Laws, Edinburgh University (Scotland); Bachelor of Laws, National Taiwan University; Executive Leadership Program, Harvard University (USA)	Executive Secretary, Investment Commission, MOEA; Director General, DOIS, MOEA; CEO, Invest Taiwan Services Center, MOEA; Director, Kuo Kuang Power Co., Ltd	—	—	—	
Director	R.O.C	MOEA		Aug 13, 2021	3Y	July 1, 1996	415,345,402	45.73	331,301,773	35.17	N/A	N/A	N/A	N/A	—	—	—	—	—	
	R.O.C	Representative: Shieu, Fuh- Sheng	M 60- 69	Aug 13, 2021	3Y	Aug 13, 2021	0	0.00	0	0.00	0	0	0	0	Distinguished professor, Department of Materials Science and Engineering, NCHU; Dean, College of Engineering, NCHU; Chairman, Department of Materials Science and Engineering, NCHU; Chairman, Institute of Materials Engineering, NCHU; Director, Office of R&D, NCHU; Director, Office of the National Human Resource Development Program for Nanoscience and Nanotechnology; Director, Division of Materials Engineering, National Science Council; Chairman, Foundation of College Entrance Examination Center; President, Academia-Industry Consortium for Central Taiwan Science Park;	President, National Chung Hsing University (NCHU); Director, Industrial Technology Research Institute (ITRI)	—	—	—	

Title	Nationality/ Country of Origin	Name	Sex Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience/Education	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															Master and Ph.D. in Materials Science and Engineering, Cornell University; B. S. in Materials Science and Engineering, Tsing Hua University, Hsinchu, Taiwan					
Director	R.O.C	MOEA		Aug 13, 2021	3Y	July 1, 1996	415,345,402	45.73	331,301,773	35.17	N/A	N/A	N/A	N/A	—	—	—	—	—	
	R.O.C	Representative: Hsiao, Mu-Lai	M 50-59	Dec 23, 2021	2.6Y	Dec 23, 2021	10,028	0.01	10,028	0.00	0	0	0	0	Member of Labor Mediation Committee, Taichung District Court; Chairman, Taiwan Aerospace Technology Association; Executive director of Taiwan Machinery Labor Union (T.P.M.L.U) Director, Aerospace Industrial Development Corporation Labor Union; B.S. in Industrial Engineering, Feng Chia University	Chairman, Aerospace Industrial Development Corporation Labor Union in Taichung	—	—	—	
Director	R.O.C	MOEA		Aug 13, 2021	3Y	July 1, 1996	415,345,402	45.73	331,301,773	35.17	N/A	N/A	N/A	N/A	—	—	—	—	—	
	R.O.C	Representative: Lee, Ming-Li,	M 50-59	Aug 13, 2021	3Y	Aug 13, 2021	75,502	0.01	75,502	0.01	0	0	0	0	Leader, factory of Aircraft Maintenance, Department of Aircraft Maintenance & Avionics, AIDC; Council Member of AIDC Labor Union; B.S. in Information Management, Ling Tung University, Taiwan.	漢翔航空工業(股)公司維修航電事業處飛機維修廠附件維修工場領班 Leader, factory of Aircraft Maintenance, Department of Aircraft Maintenance & Avionics, AIDC;	—	—	—	
Director	R.O.C	National Defense Industrial Development Foundation (Note 1)		Aug 13, 2021	3Y	April 3, 2014	2,670,078	0.29	11,063,201	1.17	N/A	N/A	N/A	N/A	—	—	—	—	—	
	R.O.C	Representative: Mei, Chia-Shu	M 50-59	Sep 16, 2021	2.9Y	Sep 16, 2021	0	0.00	0	0.00	0	0	0	0	Deputy Commanding General, Navy Command Headquarters, Ministry of National Defense (MND); Administrative Deputy Minister, Ministry of National Defense (MND);	Deputy Chief of Staff (Executive), General Staff Headquarter, Ministry of National Defense (MND)	—	—	—	

Title	Nationality/ Country of Origin	Name	Sex Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience/Education	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															Director, Armaments Bureau, , Ministry of National Defense (MND); Chief of Staff, Navy Command Headquarters, Ministry of National Defense (MND); Director ,Administration Office, Ministry of National Defense (MND); Assistant Deputy Chief, Office of the Deputy Chief of the General Staff for Operation and Planning, Ministry of National Defense (MND); Chief, Naval Combat System Facility, Navy Command, Ministry of National Defense (MND); Navl Command & Staff College, National Defense University; War College, National Defense University; Naval Academy, R.O.C					
Executive and Independent Director	R.O.C	Chan, Chia-Chang	M 50-59	Aug 13, 2021	3Y	June 26, 2018	0	0.00	0	0.00	0	0	0	0	Chief Secretary, Chair of Department of Finance, Director of Extension Education Center, Dean of College of Management, Tunghai University; Commissioner, Review Panel of Higher Education Evaluation and Accreditation Council of Taiwan; Commissioner, Financial Planning Association of Taiwan; Director, Association of Continuing Education of Colleges and Universities in Taiwan; Member of School Evaluation Committee for community college in Taichung City; Member, Lifetime learning promotion committee; Consultant, Information Service Industry Association of Taichung City Government; Member, Review Panel of Small Business Innovation Research (SBIR) program of Miaoli County Government; Member, Review Panel of Program of the Encouragement of Investment;	Vice President and Professor of Finance Department, Tunghai University; Independent Director, Mobiletron Group Independent Director, Ginko International Co., Ltd.	—	—	—	

Title	Nationality/ Country of Origin	Name	Sex Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience/Education	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															Ph.D. in Business Administration, National Sun Yat-Sen University					
Independent Director	R.O.C	Chen, Yin-Chin	F 60- 69	Aug 13, 2021	3Y	June 26, 2018	0	0.00	0	0.00	0	0	0	0	Chair of Department of Financial and Economic Law, Chung Yuan Christian University; Associate Professor, Department of Public Finance and Taxation, Takming University of Science and Technology; Supervisor, Andes Technology Corporation (Representative of National Development Fund , Executive Yuan); Supervisor, Light's American Sportscopter Inc. (Representative of National Development Fund , Executive Yuan); Director, CSBC CORP., Taiwan (Representative of MOEA); Commissioner, Fair Trade Commission; Commissioner, Complaint Review Board for Government Procurement, Public Construction Commission Executive Yuan; Advisory, Department of Nuclear Regulation, Atomic Energy Council; Advisory, Advisory Committee on Handling of State Compensation Cases, Atomic Energy Council; Commissioner, Complaint Review Board for Government Procurement, Taoyuan City Government; Commissioner, Medical Review Board, Health Bureau; Commissioner, Laws and Regulations Committee, MOEA; Commissioner, International Trade Commission, MOEA; Commissioner, Complaint Review Board, Ministry of National Defense; Advisory, Advisory Committee on Handling of State Compensation Cases, Ministry of National Defense; Advisory, Advisory Committee on Handling of State Compensation Cases, Army Command Headquarters; Advisory, Advisory Committee on Handling of State	Associate Professor, Department of Financial and Economic Law, Chung Yuan Christian University; Associate Professor, Tainan University of Technology; Associate Professor, Shih Chien University	—	—	—	

Title	Nationality/ Country of Origin	Name	Sex Age	Date Elected	Term	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience/Education	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														Compensation Cases, Taipei City Government; Commissioner, Listing Review Committee of Taiwan Stock Exchange Corporation; Commissioner, Mainboard Listing Review Committee of Taipei Exchange (GreTai Securities Market); Ph. D of Laws, National Chung Hsing University						
Independent Director	R.O.C	Lien, Li-Jen	M 50- 59	Aug 13, 2021	3Y	May 31, 2019	0	0.00	0	0.00	0	0	0	0	Attorney-at-law Councilor, Kaohsiung City Council; Litigation Agent of Taiwan Land Bank; Legal Adviser, Kaohsiung City Council and Kaohsiung County Government; Chairman, Branch in Kaohsiung and Pingtung County, Consumer's Foundation Chinese Taipei; Legal Adviser, Labor Union of Kaohsiung City; Honorary Legal Adviser, Small and Medium Enterprise Administration, Ministry of Economic Affairs; Manager, Jihe Entertainment Co., Ltd; Master in Political Science, National Sun Yat-sen University, Taiwan; Bachelor of Laws, National Chung Hsing University	Lawyer, Gongxin United Law Firm; Independent Director, Bank of Kaohsiung	—	—	—	

Note 1: Major shareholders of the institutional shareholders:

March 31, 2022

Name of Institutional Shareholders	Major Shareholders
Ministry of Economic Affairs, MOEA	N/A
National Defense Industrial Development Foundation (NDIDF)	Executive Yuan (100%)

Major shareholders of the Company's major institutional shareholders:

March 31, 2022

Name of Institutional Shareholders	Major Shareholders
Executive Yuan	N/A

Note: Institutional shareholders that are not corporate, shall disclose the major shareholders and shares, that is to disclose the sponsors name and donation ratio.

Note 2: The Ministry of Economic Affairs holds a shareholding ratio of 35.175%, which is 35.17% after round down.

Note 3: AIDC has elected the 9th Board of Directors during Annual Shareholders' Meeting on Aug. 13, 2021.

NDIDF representative changes: Mei, Chia-Shu replaced Hsu, Yan-Pu on Sep. 16, 2021.

MOEA representative changes: Hsiao, Mu-Lai replaced Yu, Cheng-Tao on Dec. 23, 2021.

2.1 Directors (II)

Disclosure of Professional Qualifications of Directors and Independence of Independent Directors

Conditions Name	Professional qualification and experience	Status of independence	Number of public companies where the person holds the title as independent director
Chairman Hu, Kai-Hung	<p>Expertise: Board of Director; business management; aerospace industry; government & supervision; risk management.</p> <p>Education: Joint Force Education, National Defense University; General Staff College of National Defense University; Air Force Academy</p> <p>Current Position: Chairman of AIDC</p> <p>Work experiences: Vice Chief of the General Staff, Ministry of National Defense(MND); Inspector General, MND; Vice Commander-in-Chief, Air Force Command; Commander, Air Force Education, Training and Doctrine Development Command; Deputy Chief of Staff, Air Force Command; Director, Combat Readiness and Training Division, Air Force Command; Wing Comma; Director, Industrial Technology Research Institute; Chairman, Taiwan Aerospace Industry Association</p>	Not applicable	0
Executive Director Ma, Wan-June	<p>Expertise: Board of Director; business management; aerospace industry; government & supervision; risk management.</p>	Not applicable	0

<div>Condictions</div> <div>Name</div>	Professional qualification and experience	Status of independence	Number of public companies where the person holds the title as independent director
	<p>Education: Ph.D. in Power Mechanical Engineering, National Tsing Hua University; Master in Mechanical Engineering, National Central University; B.S. in Aeronautics and Astronautics, National Cheng Kung University</p> <p>Current Position: President of AIDC</p> <p>Work experiences: Vice President, National Chung-Shan Institute of Science and Technology(NCSIST); Vice President and Director of Aeronautical Systems Research Division, NCSIST; Director, Aeronautical Systems Research Division, NCSIST; Associate Director, Systems Development Center, NCSIST; Principal Investigator, Systems Development Center, NCSIST; Director, Metal Industries Research & Development Centre</p>		
Director Liou, Ming-Jong	<p>Expertise: Board of Director; business management; government & supervision; risk management.</p> <p>Education: Ph.D., Industrial Management, Taiwan Technical University Taiwan; M.S., Operation Research, Stanford University U.S.A; B.S., Chemical Engineering, National Taiwan University, Taiwan</p> <p>Current Position: Director, State-owned Enterprise Commission Affairs , MOEA</p> <p>Work experiences: Director, Ministry of Economic Affairs Standards Inspection Bureau; Counselor , Ministry of Economic Affairs; Director, State-owned Enterprise Commission Affairs , MOEA; Director, China Steel Corporation; Director, Tang Eng Iron Works Co.,Ltd; Director, CSBC Corporation; Director, Vanguard International Semiconductor Corporation; Director, RSEA Engineering Corporation; Director, Taiwan Aerospace Corporation; Director, Hui Ju Investment Corporation; Supervisor, Taiwan Water Corporation; Supervisor, CTCL Foundation(formerly known as China Technical Consultants Inc.);</p>	Not applicable	0

<div>Condictions</div> <div>Name</div>	Professional qualification and experience	Status of independence	Number of public companies where the person holds the title as independent director
Director Chang, Ming-Pin	<p>Member, Yaohua Glass Corporation Management Board;</p> <p>Expertise: Board of Director; business management; government & supervision; law; risk management.</p> <p>Education: Master of Laws, Edinburgh University (Scotland); Bachelor of Laws, National Taiwan University;</p> <p>Current Position: Executive Secretary, Investment Commission, MOEA</p> <p>Work experiences: Vice Executive Secretary and Spokesperson, Investment Commission, MOEA; Head of Division, Investment Commission, MOEA; Director, Kuo Kuang Power Co., LTD; Commissioner, Review Committee, National Development Fund , Executive Yuan; Member, Examination Committee for Establishment Application of Business Entity in the Economic Processing Zone; Director General, DOIS, MOEA; CEO, Invest Taiwan Services Center, MOEA; Director, Kuo Kuang Power Co., Ltd</p>	Not applicable	0
Director Shieu, Fuh-Sheng	<p>Expertise: Board of Director; business management; Aerospace Industry; Government & Supervision; risk management.</p> <p>Education: Master and Ph.D. in Materials Science and Engineering, Cornell University; B. S. in Materials Science and Engineering, Tsing Hua University, Hsinchu, Taiwan</p> <p>Current Position: President, National Chung Hsing University (NCHU); Distinguished professor, Department of Materials Science and Engineering, NCHU;</p> <p>Work experiences: Dean, College of Engineering, NCHU; Chairman, Department of Materials Science and Engineering, NCHU; Chairman, Institute of Materials Engineering, NCHU; Director, Office of R&D, NCHU; Director, Office of the National Human Resource Development Program for Nanoscience and Nanotechnology;</p>	Not applicable	0

<div>Condictions</div> <div>Name</div>	Professional qualification and experience	Status of independence	Number of public companies where the person holds the title as independent director
	Director, Division of Materials Engineering, National Science Council; Chairman, Foundation of College Entrance Examination Center; President, Academia-Industry Consortium for Central Taiwan Science Park		
Director Hsiao, Mu-Lai	Expertise: Board of Director; Aerospace Industry; Government & Supervision; risk management. Education: B.S. in Industrial Engineering, Feng Chia University Current Position: Chairman, Aerospace Industrial Development Corporation Labor Union in Taichung Work experiences: Member of Labor Mediation Committee, Taichung District Court; Chairman, Taiwan Aerospace Technology Association; Executive director of Taiwan Machinery Labor Union (T.P.M.L.U) Director, Aerospace Industrial Development Corporation Labor Union	Not applicable	0
Director Lee, Ming-Li	Expertise: Board of Director; Aerospace Industry; Government & Supervision; risk management. Education: B.S. in Information Management, Ling Tung University, Taiwan. Current Position: Leader, factory of Aircraft Maintenance, Department of Aircraft Maintenance & Avionics, AIDC Work experiences: Leader, factory of Aircraft Maintenance, Department of Aircraft Maintenance & Avionics, AIDC; Council Member of AIDC Labor Union	Not applicable	0
Director Mei, Chia-Shu	Expertise: Board of Director; business management; Government & Supervision; risk management. Education: Naval Command & Staff College, National Defense University; War College, National Defense University;	Not applicable	0

<div>Condictions</div> <div>Name</div>	Professional qualification and experience	Status of independence	Number of public companies where the person holds the title as independent director
	<p>Naval Academy, R.O.C</p> <p>Current Position: Deputy Chief of Staff (Executive), General Staff Headquarter, Ministry of National Defense (MND)</p> <p>Work experiences: eputy Commanding General, Navy Command Headquarters, Ministry of National Defense (MND); Administrative Deputy Minister, Ministry of National Defense (MND); Director, Armaments Bureau, , Ministry of National Defense (MND); Chief of Staff, Navy Command Headquarters, Ministry of National Defense (MND); Director ,Administration Offic, Ministry of National Defense (MND); Assistant Deputy Chief, Office of the Deputy Chief of the General Staff for Operation and Planning, Ministry of National Defense (MND); Chief, Naval Combat System Facility, Navy Command, Ministry of National Defense (MND)</p>		
Executive and Independent Director Chan, Chia-Chang	<p>Expertise: Board of Director; Chair of Remuneration Committee; member of Audit Committee; member of Information & Communication Security Committee; business management; finance accounting; risk management.</p> <p>Education: Ph.D. in Business Administration, National Sun Yat-Sen University</p> <p>Current Position: Vice President and Professor of Finance Department, Tunghai University;</p> <p>Work experiences: Professor of Finance Department (teach finance for more than 15 years); Chief Secretary, Chair of Department of Finance, Director of Extension Education Center, Dean of College of Management, Tunghai University; Commissioner, Review Panel of Higher Education Evaluation and Accreditation Council of Taiwan; Commissioner, Financial Planning Association of Taiwan; Director, Association of Continuing Education of Colleges and Universities in Taiwan; Member of School Evaluation Committee for community college in Taichung City; Member, Lifetime learning promotion committee; Consultant, Information Service Industry Association of Taichung City Government; Member, Review Panel of Small Business Innovation Research (SBIR) program of Miaoli County Government; Member, Review Panel of</p>	<p>The independent directors of the Company are all in compliance with "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".</p> <p>In addition to obtaining a written statement from the independent directors, the Company check the company's employee system, independent directors' shareholding of AIDC, together with those held by their spouse and</p>	2

<div>Condictions</div> <div>Name</div>	Professional qualification and experience	Status of independence	Number of public companies where the person holds the title as independent director
	<p>Program of the Encouragement of Investment</p> <p>Note: The company searches the judicial information retrieval system of the Judicial Yuan, the Taiwan Clearing House, etc., and found no conditions defined in Article 30 of the Company Act.</p>	<p>relatives within the second degree, the register of directors of related companies, the company's register of shareholders, and check the company or affiliated companies have provided financial systems such as business, legal, financial, accounting, etc. to obtain service remuneration. There is no such thing as the above-mentioned incidents.</p>	
<p>Independent Director Chen, Yin-Chin</p>	<p>Expertise: Board of Director; Chair of Audit Committee; member of Remuneration Committee; member of Information & Communication Security Committee; business management; Law; risk management.</p> <p>Education: Ph. D of Laws, National Chung Hsing University</p> <p>Current Position: Associate Professor, Department of Financial and Economic Law, Chung Yuan Christian University; Associate Professor, Tainan University of Technology; Associate Professor, Shih Chien University</p> <p>Work experiences: Professor of financial and economic Law (teach financial and economic law for more than 27 years); Chair of Department of Financial and Economic Law, Chung Yuan Christian University; Associate Professor, Department of Public Finance and Taxation, Takming University of Science and Technology; Supervisor, Andes Technology Corporation (Representative of National Development Fund , Executive Yuan); Supervisor, Light's American Sportscopter Inc. (Representative of National Development Fund , Executive Yuan); Director, CSBC CORP., Taiwan (Representative of MOEA); Commissioner, Fair Trade Commission; Commissioner, Complaint Review Board for Government Procurement, Public Construction Commission Executive Yuan; Advisory, Department of Nuclear Regulation, Atomic Energy Council; Advisory, Advisory Committee on Handling of State Compensation Cases, Atomic Energy Council; Commissioner, Complaint Review Board for Government Procurement, Taoyuan City Government; Commissioner, Medical Review Board, Health Bureau; Commissioner, Laws and Regulations Committee, MOEA; Commissioner, International Trade Commission, MOEA; Commissioner, Complaint Review Board, Ministry of National Defense; Advisory, Advisory Committee on Handling of State Compensation Cases, Ministry of National Defense; Advisory, Advisory Committee on Handling of State Compensation Cases, Army Command</p>	<p>The Company confirms their independence from the Company in view of the audit results.</p>	<p>0</p>

Condictions Name	Professional qualification and experience	Status of independence	Number of public companies where the person holds the title as independent director
	Headquarters; Advisory, Advisory Committee on Handling of State Compensation Cases, Taipei City Government; Commissioner, Listing Review Committee of Taiwan Stock Exchange Corporation; Commissioner, Mainboard Listing Review Committee of Taipei Exchange (GreTai Securities Market) Note: The company searches the judicial information retrieval system of the Judicial Yuan, the Taiwan Clearing House, etc., and found no conditions defined in Article 30 of the Company Act		
Independent Director Lien, Li-Jen	Expertise: Board of Director; Chair of Information & Communication Security Committee; member of Audit Committee; member of Remuneration Committee; business management; Law; risk management. Education: Master in Political Science, National Sun Yat-sen University, Taiwan; Bachelor of Laws, National Chung Hsing University Current Position: Lawyer, Gongxin United Law Firm (since Aug.2018) Work experiences: Attorney-at-law since Agu. 2018; Councilor, Kaohsiung City Council; Litigation Agent of Taiwan Land Bank; Legal Adviser, Kaohsiung City Council and Kaohsiung County Government; Chairman, Branch in Kaohsiung and Pingtung County, Consumer's Foundation Chinese Taipei; Legal Adviser, Labor Union of Kaohsiung City; Honorary Legal Adviser, Small and Medium Enterprise Administration, Ministry of Economic Affairs; Manager, Jihe Entertainment Co., Ltd		1

2.1 Directors (III) : Implementation of Board Diversity and Independence

(1)Implementation of Board Diversity and Independence

● Board Diversity Policy

Pursuant to "AIDC's Corporate Governance Principle", the composition of the board of directors shall be determined by taking diversity into consideration, and that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated. In addition, the "AIDC's Procedures for Election of Directors" indicated the members of the board of directors shall have the knowledge, skills, and experience necessary to perform their duties and shall possess the abilities to make operational judgments, perform accounting and financial analysis, conduct management administration, conduct risk management, knowledge of the industry, an international perspective, ability to lead and ability to make policy decisions.

- **Board Diversity Goal**
The board of directors of the company shall be accountable to the shareholders' meeting, and the board of directors shall exercises its functions and powers in accordance with the decrees, Article Charters or thet resolutions of the shareholders' meeting, to achieve corporate governance. The board diversity goals are as follow: 1. Female director (at least 1 seat), 2. Independent directors shall serve no more than three consecutive terms, 3. Labor union representative (at least 2 seats), 4. No more than one third of the number of directors of the company shall be concurrently held by the manager of the company, 5. The professional background of members should cover business management, aerospace industry, financial accounting, law, risk management, or government & supervision.
- **Implementation Status**
 1. Female director (at least 1 seat): Achieved
 2. Independent directors shall serve no more than three consecutive terms: Achieved
 3. Labor union representative (at least 2 seats): Achieved
 4. No more than one third of the number of directors of the company shall be concurrently held by the manager of the company: Achieved
- **Company's Core goals for diversification and current implementation of Board Diversity Policy is indicated by individual directors' portfolios listed in the table below:**

Company's Core Goals for an effective and current implementation of Board Diversity Policy is indicated by individual directors' portfolios listed in the table below.

Basic Information						Industry Experience			Profession			
Title	Name	Sex	Nationality	Age		Status of employee	Business Management	Aerospace Industry	Government & Supervision	Finance Accounting	Law	Risk Management
				50-59	60-69							
Chairman	Hu, Kai-Hung	M	R.O.C		✓		✓	✓	✓			✓
Executive Director	Ma, Wan-June	M	R.O.C		✓	✓	✓	✓	✓			✓
Director	Liou, Ming-Jong	M	R.O.C		✓		✓		✓			✓
Director	Chang, Ming-Pin	M	R.O.C	✓			✓		✓		✓	✓
Director	Shieu, Fuh-Sheng	M	R.O.C		✓		✓	✓	✓			✓
Director	Hsiao, Mu-Lai	M	R.O.C	✓		✓		✓	✓			✓
Director	Lee, Ming-Li	M	R.O.C	✓		✓		✓	✓			✓
Director	Mei, Chia-Shu	M	R.O.C	✓			✓		✓			✓
Executive and Independent Director	Chan, Chia-Chang	M	R.O.C	✓			✓			✓		✓
Independent Director	Chen, Yin-Chin	F	R.O.C		✓		✓	✓	✓		✓	✓
Independent Director	Lien, Li-Jen	M	R.O.C	✓			✓	✓	✓		✓	✓

Note1: Total 11 directors, comprising 2 labor directors that recommended from AIDC labor union, we have 3 (27%) directors are also AIDC employees, one (9%) female director, and 10 (91%) male directors; with an average age of 59.5 years.

(2) Independence of the Board

- The company has 11 directors (including 3 independent directors accounting for 27%) elected by the shareholders' meeting on 110.08.13. The board of directors has 3 executive directors, of which 1 is an independent director (accounting for 33%); the consecutive terms of independent directors are Independent director Chan for 3.7 years, independent director Chen for 3.7 years, and independent director Lien for 2.8 years. None of the independent directors has served more than three consecutive terms.
- None of the members of the board of directors of the company are spouses or within two degrees of kinship, and there are no conditions stipulated in Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act.

2.2 Management Team

Dec. 31, 2021/ Unit: shares; %

Title	Nationality/ Country of Origin	Name	Sex	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience/Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	R.O.C	Ma, Wan-June	M	March 18, 2019	0	—	—	—	—	—	Vice President, National Chung-Shan Institute of Science and Technology(NCSIST); Vice President and Director of Aeronautical Systems Research Division, NCSIST; Director, Aeronautical Systems Research Division, NCSIST; Associate Director, Systems Development Center, NCSIST; Principal Investigator, Systems Development Center, NCSIST; Ph.D. in Power Mechanical Engineering, National Tsing Hua University; Master in Mechanical Engineering, National Central University; B.S. in Aeronautics and Astronautics, National Cheng Kung University	Advisory Committee Member, Management College of National Defense University; Director, Metal Industries Research & Development Centre	—	—	—	
Vice President	R.O.C	Ho, Poa-Hua	M	November 11, 2015	129,739	—	—	—	—	—	VP, Aero Engine Factory; Director, Quality Assurance; Deputy Director, Manufacturing, AIDC; Senior Specialist, Aircraft Factory, AIDC/CSIST, B.S. in Mechanical Engineering, Feng Chia University	Director, International Turbine Engine Company, LLC	—	—	—	

Title	Nationality/ Country of Origin	Name	Sex	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience/Education	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President	R.O.C.	Tseng, Kuo-Yi	M	November 5, 2021	76,367	—	—	—	—	—	Director, Quality Assurance; Director, Manufacturing; Director, Commercial Business Development; Chief Audit, AIDC; Master in Power Mechanical Engineering, National Tsing Hua University;					
Vice President	R.O.C.	Du, Shiu-Chun	M	February 1, 2016	143,260	—	—	—	—	—	Director, Strategy and Legal Affairs; Director, Engineering; Director, IT, AIDC; Ph.D. in Mechanical Engineering, National Taiwan University	—	—	—	—	
Vice President	R.O.C.	Lo, Ching-Chi	M	August 8, 2017	100,020	—	—	—	—	—	Director, Procurement; Director, Business; Director, Commercial Business Development, AIDC; BS in Industrial Design, National Cheng Kung University	Advisory Committee Member, National Applied Research Laboratories	—	—	—	
Vice President	R.O.C.	Huang, Shu-Yuan	F	September 28, 2018	134,565	—	123,774	—	—	—	Director, Finance & Accounting; Ph.D. in Business, Feng Chia University	—	—	—	—	
Vice President	R.O.C.	Chuang, Jennifer	F	October 1, 2020	131,325	—	—	—	—	—	Director, Procurement; Director, Strategy & Operational Management; Master in Business, Tunghai University					

Note: Mr. Ho, Poa-Hua was retired on Oct. 30, 2021 and Mr. Tseng, Kuo-Yi was appointed on Nov. 5, 2021.

3. Remuneration of Directors, Supervisors, President and Vice Presidents

3.1 Remuneration of Directors and Independent Directors

December 31, 2021 / Units : NT\$ thousands ; %

Title	Name (Note 1)	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors who are also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation paid to Directors from Parent Company or an Invested Company other than the Company's Subsidiary
		Base Compensation(A)		Severance Pay(B)		Directors' Remuneration(C)		Allowances(D)				Salary, Bonuses, and Allowances(E)		Severance Pay(F)		Employee Remuneration (G)						
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Hu, Kai-Hung (MOEA Rep.)	408		0		3,546		0	0.7086%	9,340		0		8.07	0	8.07	0	2.3838%	None			
Executive Director	Ma, Wan-June (MOEA Rep.)																					
Director	Liou, Ming-Jong (MOEA Rep.)																					
Director	Chang, Ming-Pin (MOEA Rep.)																					
Director	Shieu, Fuh-Sheng (MOEA Rep.)																					
Director	Yu, Cheng-Tao (MOEA Rep.)																					
Director	Hsiao, Mu-Lai (MOEA Rep.) (Note1)																					
Director	Hsu, Chung-Ming (MOEA Rep.)																					
Director	Lee, Ming-Li (MOEA Rep.) (Note1)																					
Director	Hsu, Yan-Pu (NDIDF Rep.)																					
Director	Mei, Chia-Shu (NDIDF Rep.) (Note1)																					
Executive and Independent Director	Chan, Chia-Chang	2,310		0		0		0	0.4140%	0		0		0	0	0	0	0.4140%	None			
Independent Director	Chen, Yin-Chin																					
Independent Director	Lien, Li-Jen																					

*Please state the policy, system, standards and structure of independent directors' remuneration, and describe the correlation with the amount of remuneration according to the responsibilities, risks, and investment time: The calculation based on the degree of independent directors' participation and contribution in the company's operations, and

the individual tenure.

*Except those disclosed in the above table, remuneration received by directors for providing service to all companies in the consolidated financial statements (e.g. consultancy service without the title of an employee) in recent years : None

Note 1 : AIDC has elected the 9th Board of Directors during Annual Shareholders' Meeting on Aug. 13, 2021. All the member' tenure are renewed except Mr. Hsu, Chung-Ming, and Mr. Hsu, Chung-Ming is newly elected.

NDIDF representative changes: Mei, Chia-Shu replaced Hsu, Yan-Pu on Sep. 16, 2021.

MOEA representative changes: Hsiao, Mu-Lai replaced Yu, Cheng-Tao on Dec. 23, 2021.

Note 2 : The calculation base depends on the individual tenure. The amount is accrued, and hasn't been issued yet.

Note 3 : This form is for information disclosure, not for taxation purposes.

Note 4 : Rewards of gifts and medical examination amounts to NT\$ 112 thousand is excluded.

Remuneration Paid to Directors

Bracket	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements (H)	The company	Companies in the consolidated financial statements (I)
Under NT\$ 1,000,000	Hu, Kai-Hung; Ma, Wan-June; Liou, Ming-Jong; Chang, Ming-Pin; Shieu, Fuh-Sheng; Yu, Cheng-Tao; Hsiao, Mu-Lai; Hsu, Chung-Ming; Lee, Ming-Li; Hsu, Yan-Pu; Mei, Chia-Shu; Chan, Chia-Chang; Chen, Yin-Chin; Lien, Li-Jen; NDIDF	Same as left	Liou, Ming-Jong; Chang, Ming-Pin; Shieu, Fuh-Sheng; Yu, Cheng-Tao; Hsiao, Mu-Lai; Hsu, Chung-Ming; Lee, Ming-Li; Hsu, Yan-Pu; Mei, Chia-Shu; Chan, Chia-Chang; Chen, Yin-Chin; Lien, Li-Jen; NDIDF	Same as left
NT\$1,000,000 ~ NT\$2,000,000	—	—	—	—
NT\$2,000,000 ~ NT\$3,500,000	Ministry of Economic Affairs	Same as left	Ma, Wan-June; Ministry of Economic Affairs	Same as left
NT\$3,500,000 ~ NT\$5,000,000	—	—	Hu, Kai-Hung	Same as left
NT\$5,000,000 ~ NT\$10,000,000	—	—	—	—
NT\$10,000,000 ~ NT\$15,000,000	—	—	—	—
NT\$15,000,000 ~ NT\$30,000,000	—	—	—	—
NT\$30,000,000 ~ NT\$50,000,000	—	—	—	—
NT\$50,000,000 ~ NT\$100,000,000	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	16 persons	Same as left	16 persons	Same as left

Note: Remuneration to Directors of the Company is fully received by juristic person directors. Compensation paid to representatives of juristic person directors who serve as employees also include salaries and remuneration to employees.

3.2 Compensation of President and Vice Presidents

December 31, 2021 / Units : NT\$ thousands ; %

Title	Name	Salary(A) (Note1)		Severance Pay(B)		Bonuses and Allowances(C)		Employee Remuneration (D)				Ratio of Total Compensation (A+B+C+D) to Net Income (%)		Compensation paid to Directors from Parent Company or an Invested Company other than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Ma, Wan-June	12,857	12,857	0	0	4,890	4,890	24	0	24	0	3.1855%	3.1855%	None
Vice President	Ho, Poa-Hua (note1)													
Vice President	Du, Shiu-Chun													
Vice President	Lo, Ching-Chi													
Vice President	Huang, Shu-Yuan													
Vice President	Chuang, Jennifer													
Vice President	Tseng, Kuo-Yi (Note 1)													

Note 1: The remuneration to managerial officers is calculated on a yearly basis for FY 2021. Mr. Ho, Poa-Hua was retired on Oct. 30, 2021 and Mr. Tseng, Kuo-Yi was appointed on Nov. 5, 2021.

Remuneration Paid to President and Vice Presidents

Bracket	Name of President and Vice Presidents	
	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	Tseng, Kuo-Yi	Same as left
NT\$1,000,000 ~ NT\$2,000,000	—	—
NT\$2,000,000 ~ NT\$3,500,000	Ma, Wan-June; Ho, Poa-Hua; Du, Shiu-Chun; Lo, Ching-Chi; Huang, Shu-Yuan; Chuang, Jennifer	Same as left
NT\$3,500,000 ~ NT\$5,000,000	—	—
NT\$5,000,000 ~ NT\$10,000,000	—	—
NT\$10,000,000 ~ NT\$15,000,000	—	—
NT\$15,000,000 ~ NT\$30,000,000	—	—
NT\$30,000,000 ~ NT\$50,000,000	—	—
NT\$50,000,000 ~ NT\$100,000,000	—	—
Over NT\$100,000,000	—	—
Total	7 persons	Same as left

3.3 Employee Remuneration of Managerial Officers

Dec 31, 2020 / Unit: NT\$ thousands

	Title	Name	Shares Total	Cash Total	Total	Ratio of Total Remuneration to Net Income (%)
Managerial Officers	President	Ma, Wan-June	0	24	24	0.0043%
	Vice President	Ho, Poa-Hua				
	Vice President	Du, Shiu-Chun				
	Vice President	Lo, Ching-Chi				
	Vice President	Huang, Shu-Yuan				
	Vice President	Chuang, Jennifer				
	Vice President	Tseng, Kuo-Yi (note 1)				

Note1: Pursuant to the Articles of Incorporation, managerial officers refers to president and vice president. Above table list the managerial officers (vice president) whose employee remuneration will be submitted to the Board for resolution. Mr. Ho, Poa-Hua was retired on Oct. 30, 2021 and Mr. Tseng, Kuo-Yi was appointed on Nov. 5, 2021.

Note2: The amount is accrued, and hasn't been issued yet. Employee remuneration is calculated based on individual tenure.

Note3: President didn't receive employee remuneration.

3.4 Comparison of Remuneration for Directors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

A. The Ratio of Total Remuneration Paid by the Company and by all Companies included in the Consolidated Financial Statements for the Most Recent Two Fiscal Years to Directors, Presidents and Vice Presidents of the Company, to the Net Income

Unit : NT\$ thousands

Identity \ Year	2020		2021	
	The company	Companies in the consolidated financial statements (Note)	The company	Companies in the consolidated financial statements (Note)
Director fee	5,058	5,058	6,264	6,264
Director fee in proportion to corporate earnings (%)	1.2777%	1.2777%	1.1226%	1.1226%
Supervisor fee	0	0	0	0
Supervisor fee in proportion to corporate earnings (%)	0	0	0	0
Remuneration to the President and Vice Presidents	22,104	22,104	17,771	17,771
Remuneration to the President and Vice Presidents in proportion to corporate earnings (%)	5.5838%	5.5838%	3.1847%	3.1847%

Note : The remuneration listed above does not include employee remuneration.

B. The Policies, Standards, and Portfolios for the Payment of Remuneration, the Procedures for Determining Remuneration, and the Correlation with Business Performance

Pursuant to the Articles of Incorporation, remuneration to directors (including chairman and independent directors) shall be determined by the board of directors as authorized. Further, in the event of earnings, not more than 0.58% EBT shall be set aside as remuneration to directors, while not less than 0.58% and not more than 4.65% as bonus of employees; however if the Company sustains an accumulated loss, amount of which shall be set aside to cover the loss.

Pursuant to Subparagraph 2, Paragraph 2, Article 7 of "AIDC Remuneration Committee Charter", performance evaluation and remuneration to directors and managers shall take the following as references including, industry average remuneration, the time invested by the individual, the responsibilities of the individual, the achievement of personal goals, the performance of undertaking other positions, the average salary of the same position in recent years in the Company, the performance of reaching short-term and long-term business objectives of the Company, the Company's financial status, etc., to assess the relevance of individual performance to the company's operating performance and future risks.

4. Implementation of Corporate Governance

4.1 Board of Directors

A total of 9 (A) meetings of the board of directors were held in 2021. Attendance of directors and supervisors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A](Note)	Remarks
Chairman	Hu, Kai-Hung (MOEA Rep.)	9	0	100.00 %	
Executive Director	Ma, Wan-June (MOEA Rep.)	9	0	100.00 %	
Director	Liou, Ming-Jong (MOEA Rep.)	6	3	66.67 %	
Director	Chang, Ming-Pin (MOEA Rep.)	8	1	88.89 %	
Director	Shieu, Fuh-Sheng (MOEA Rep.)	9	0	100.00 %	
Director	Hsiao, Mu-Lai (MOEA Rep.)	-	-	-	Appointed on Dec. 23, 2021
Director	Lee, Ming-Li (MOEA Rep.)	3	0	100.00 %	Appointed on Aug. 13, 2021
Director	Yu, Cheng-Tao (MOEA Rep.)	9	0	100.00 %	Discharged on Dec. 23, 2021
Director	Hsu, Chung-Ming (MOEA Rep.)	6	0	100.00 %	Discharged on Aug. 13, 2021
Director	Mei, Chia-Shu (NDIDF Rep.)	1	0	50.00 %	Appointed on Sep. 16, 2021
Director	Hsu, Yan-Pu (NDIDF Rep.)	0	1	0.00 %	Discharged on Sep. 16, 2021
Executive and Independent Director	Chan, Chia-Chang	9	0	100.00 %	
Independent Director	Chen, Yin-Chin	9	0	100.00 %	
Independent Director	Lien, Li-Jen	9	0	100.00 %	
Total Attendance of The Board		87	5	87.88 %	

Note: Attendance rate (%) is calculated by the required and actual attendances during the tenure of each director.

Other mentionable items:

I. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Date	Session	Motions and subsequent actions	Particulars described in Article 14-3 of the Securities and Exchange Act	Adverse or qualified opinions of independent directors
February 26, 2021	The 17 th session of the 8 th term of the Board	<ul style="list-style-type: none"> The re-election of the 9th term of the Board Lift the ban of non-compete on directors and their representatives elected to the new term of office Calling for the regular session of the General Meeting in FY 2021 		
		Number of independent directors attending in person: 3		
		Opinions of independent directors: None		
		Company's response to independent directors' opinions: None		
		Resolution: Passed by all attending members		
March 26, 2021	The 18 th session of the 8 th term of the Board	<ul style="list-style-type: none"> Business Report for FY 2020 Allocation amount of remuneration to employees and directors for FY 2020 Financial Report for FY 2020 Distribution of earnings for FY 2020 	Yes	None

		<ul style="list-style-type: none"> • Declaration of Internal Control for FY 2020 • Amendment to AIDC Corporate Charter (Articles of Incorporation) • Bonus of Chairman, President, Vice Presidents and managerial officers concerned for FY 2020 • Principles for bonus of Chairman, President, Vice Presidents and managerial officers concerned for FY 2021 • AIDC 2021 Unsecured Corporate Bond Issue • Change of external auditor 	Yes	None
			Yes	None
			Yes	None
			Yes	None
		Number of independent directors attending in person: 3		
April 14, 2021	The 6th special session of the 8 th term of the Board	Opinions of independent directors: None		
		Company's response to independent directors' opinions: None		
		Resolution: Passed by all attending members		
May 7, 2021	The 19 th session of the 8th term of the Board	<ul style="list-style-type: none"> • Qualification review of directors and independent director nominees by shareholders • Lift the ban of non-compete on the director nominees for the 9th term 	Yes	None
		Number of independent directors attending in person: 3		
		Opinions of independent directors: None		
		Company's response to independent directors' opinions: Passed by all attending (including proxy) members		
		Resolution: Passed by all attending members.		
July 20, 2021	The 7th special session of the 8 th term of the Board	<ul style="list-style-type: none"> • Amendment to the "Rules Governing Financial and Business Matters Between AIDC and its Affiliated Enterprises" 		
		Number of independent directors attending in person: 3		
		Opinions of independent directors: None		
		Company's response to independent directors' opinions: Passed by all attending (including proxy) members		
		Resolution: Passed by all attending members.		
August 6, 2021	The 20 th session of the 8th term of the Board	<ul style="list-style-type: none"> • Calling for the regular session of the General Meeting in FY 2021 		
		Number of independent directors attending in person: 3		
		Opinions of independent directors: None		
		Company's response to independent directors' opinions: None		
		Resolution: Passed by all attending (including proxy) members		
August 6, 2021	The 20 th session of the 8th term of the Board	<ul style="list-style-type: none"> • Amendment to the "AIDC Information & Communication Security Committee Charter" • Amendment to the "AIDC Corporate Governance Principle" 		
		Number of independent directors attending in person: 3		
		Opinions of independent directors: None		

August 13, 2021	The 1th special session of the 9 th term of the Board	Company's response to independent directors' opinions: None		
		Resolution: Passed by all attending members		
		<ul style="list-style-type: none"> The election of 9th term of Executive Director of the Board Result: Mr. Hu, Kai-Hung, Mr. Ma, Wan-June, and Mr. Chan, Chia-Chang elected as Executive directors The election of AIDC Chairman Result: Mr. Hu, Kai-Hung elected as Chairman 		
		Number of independent directors attending in person: 3		
		Opinions of independent directors: None		
		Company's response to independent directors' opinions: None		
		Resolution: Passed by all attending (including proxy) members		
November 5, 2021	The 1th session of the 9 th term of the Board	<ul style="list-style-type: none"> The scrapped of sentry at Sha-lu factory 	YES	None
		<ul style="list-style-type: none"> Appointment of Remuneration Committee members (the 9th term of the Board) 		
		<ul style="list-style-type: none"> Appointment of Information & Communication Security Committee members (the 9th term of the Board) 	YES	None
		<ul style="list-style-type: none"> Internal Audit Plan for FY2022 		
		<ul style="list-style-type: none"> AIDC 2021 Unsecured Corporate Bond issue 		
		<ul style="list-style-type: none"> Discharge and appointment of AIDC vice president 		
		<ul style="list-style-type: none"> Amendment to "AIDC Rules of Procedure for Shareholders Meetings" Amendment to "AIDC Procedures for Election of Directors" Amendment to "AIDC Organizational Rules and Responsibilities of the Board of Directors, Chairman and President" Amendment to "AIDC Internal Audit Implementation Rules" Amendment to Accounting System The establishment of the company's information security committee Principle for bonus of Chairman, President, Vice Presidents and managerial officers concerned for FY 2020 Business Plan for 2021 		
December 17, 2021	The 2nd session of the 9 th term of the Board	Number of independent directors attending in person:3		
		Opinions of independent directors: None		
		Company's response to independent directors' opinions: None		
		Resolution: Passed by all attending (including proxy) members		
		<ul style="list-style-type: none"> Business Plan for FY 2022 		
		Number of independent directors attending in person: 3		
		Opinions of independent directors: None		
		Company's response to independent directors' opinions: None		
		Resolution: Passed by all attending members		

January 21, 2022	The 3rd session of the 9 th term of the Board	• Calling for the regular session of the General Meeting in FY 2022		
		Number of independent directors attending in person: 3		
		Opinions of independent directors: None		
		Company's response to independent directors' opinions: None		
		Resolution: Passed by all attending members		
March 28, 2022	The 4th session of the 9 th term of the Board	• Business Report for FY 2021		
		• Allocation amount of remuneration to employees and directors for FY 2021		
		• Financial Report for FY 2021		
		• Distribution of earnings for FY 2021		
		• Declaration of Internal Control for FY 2021		
		• Amendment to AIDC Corporate Charter (Articles of Incorporation)		
		• Amendment to AIDC' General Meeting Agenda for FY2022		
		• Calling for the regular session of the General Meeting supported by video		
		• Bonus of Chairman, President, Vice Presidents and managerial officers concerned for FY 2021	Yes	None
		• Principles for bonus of Chairman, President, Vice Presidents and managerial officers concerned for FY 2022	Yes	None
		• Amendment to the "AIDC Supervision and Management of its Subsidiaries"		
		Number of independent directors attending in person: 3		
		Opinions of independent directors: None		
		Company's response to independent directors' opinions: None		
		Resolution: Passed by all attending members		

(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None

II. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date of Board Session	Content of the Motion	Reasons for the Avoidance of Conflict of Interest	Voting
March 26, 2021 18 th session of the 8 th term of the Board	Bonus of Chairman, President, Vice Presidents and managerial officers concerned for FY 2020	Personal bonus	Chairman Hu, Kai-Hung and executive director Ma, Wan-June entered recusal during discussion and voting
March 26, 2021 18 th session of the 8 th term of the Board	Principles for bonus of Chairman, President, Vice Presidents and managerial officers concerned for FY 2021	Personal bonus	Chairman Hu, Kai-Hung and executive director Ma, Wan-June entered recusal during discussion and voting
April 16, 2021 6 th special session of the 8 th term of the Board	Lift the ban of non-compete on the director nominees for the 9 th term	Lift the ban of non-compete	Executive and independent director Chan, Chia-Chang, director Liou, Ming-Jong, director Chang, and Ming-Pin entered recusal during discussion and voting

November 5, 2021 1 st session of the 9 th term of the Board	Appointment of Information & Communication Security Committee members (the 9 th term of the Board)	Personal Appointment	Executive and independent director Chan, Chia-Chang, independent director Chen, Yin-Chin, and independent director Lien, Li-Jen entered recusal during discussion and voting
November 5, 2021 1 st session of the 9 th term of the Board	Appointment of Remuneration Committee members (the 9 th term of the Board)	Personal Appointment	Executive and independent director Chan, Chia-Chang, independent director Chen, Yin-Chin, and independent director Lien, Li-Jen entered recusal during discussion and voting
March 28, 2022 4 th session of the 9 th term of the Board	Bonus of Chairman, President, Vice Presidents and managerial officers concerned for FY 2021	Personal bonus	Chairman Hu, Kai-Hung and Executive Director Ma, Wan- June entered recusal during discussion and voting
March 28, 2022 4 th session of the 9 th term of the Board	Principles for bonus of Chairman, President, Vice Presidents and managerial officers concerned for FY 2022	Personal bonus	Chairman Hu, Kai-Hung and Executive Director Ma, Wan- June entered recusal during discussion and voting

III. Measures taken to strengthen the functionality of the board:

(I) Fortification of the function of the Board:

AIDC has 3 independent directors, with specialties in finance and law, who shall provide sound and professional recommendations to Board of Directors on matters relating to business, internal audit, finance and investment. Functional committees of the Board of Directors including Audit Committee, Remuneration Committee and Information & Communication Security Committee comprising all the independent directors have been set up. They shall provide Board of Directors professional and impartial review comments to ensure the integrity of company's financial and non-financial reports, effectiveness of internal audit system, improve remuneration system of directors and management, and strengthen the company's operational information and communication security management by providing professional recommendations to the board and strengthen the function of the board of directors.

Furthermore, to consolidate corporate governance, and to establish the communication and interactive mechanism between the Board and the shareholders, AIDC set up Investor Relations section on website which provides the major resolutions of the Board and financial information etc, and also set up the Board mailbox to enhance mutual understanding of the objectives of the Company, push forward the sustainable development of the Company, and ensure the agreement of long term interest between the Company and shareholders.

(II) Enhancement of transparency in disclosure:

The financial statements of AIDC were audited and certified by the certified public accountants of Deloitte & Touche Taiwan. As required by law, AIDC has appointed designated personnel to disclose relevant areas of information, and made announcement on the revenue and financial reports and called for institutional investor conferences at regular intervals. AIDC has established a viable spokesman system to ensure the timely disclosure of vital information for the reference of the shareholders and stakeholders on the financial position and the operation of the Company.

(III) Evaluation of the performance of the Board:

- Pursuant to "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" AIDC developed "Regulations Governing Procedure for Board of Directors Meetings" as a guideline for the BOD meeting and for consolidation of corporate governance. Attendances of directors were posted on the MOPS and major resolutions of the board meetings were disclosed on AIDC website.
- Pursuant to Article 14-4 of Securities and Exchange Act, AIDC Corporate Charter adopts the establishment of an audit committee that is composed of entire number of independent directors; and pursuant to the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" adopts establishment of a remuneration committee, which by resolution of the board is composed of entire number of independent directors.
- To enhance the Company's information security management, AIDC has established the Information &

Communication Security Committee. The Committee is responsible to review major matters including, information security policies and practices, management system of information and communications security, and the annual plan of information security plan and its effectiveness. By supervising and implementing information security plan, and regularly reported to the board of directors, to form a comprehensive information security mechanism.

- Pursuant to Regulations Governing Procedure for Board of Directors Meetings of Public Companies, the Company's board of directors meetings has reviewed report items including the minutes of the last meeting and actions arising, reporting on important financial and business matters, reporting on internal audit activities, and other important matters to be reported. The board of directors has assessed and supervise the existing or potential risks of the company's operations, urge the company to comply with laws and regulations and internal control systems, and follow-up the implementation of the board of directors' resolutions.
- To consolidate implementation of internal control, the matters that require authorization of the Board were submitted accordingly for resolution and implementation. Matters specified in Articles of Incorporation and Articles 14-3 and 14-5 of Securities and Exchange Act, that are subject to the consent of audit committee (quasi-audit committee) or resolution of the Board were so executed and implemented. The annual and semi-annual financial reports were so executed per Article 14-5 of the Securities and Exchange Act and Article 8 of Regulations Governing the Exercise of Powers by Audit Committee of Public Companies.
- Pursuant to the regulation of "Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers", Mr. Chen, Zong-Hong who leads Secretariat Division for Board of Directors has been appointed as Corporate Governance Officer, and currently in charge of corporate governance-related matters, and provision of information required for performance of duties by the directors and supervisors.
- Pursuant to the corporate governance evaluation indicators announced by Taiwan Securities Exchange each year, AIDC has been working on self-evaluations and improvements on dimensions including "Protecting Shareholders Rights and Interests and Treating Shareholders Equitably", "Enhancing Board Composition and Operation", "Increasing Information Transparency", "Putting Corporate Social Responsibility into Practice", and "Continuing Education/Training of Directors". For the function and performance evaluation of the Board, please refer to this Chapter, Paragraph 4.3 "Corporate Governance Execution".

(IV) The protection of the Directors and Supervisors by professional liability insurance:

With respect to liabilities resulting from the directors and company exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the company and shareholders arising from the wrongdoings or negligence of the directors or company, the Company has taken out liability insurance that coinsurance with Fubon Insurance and other four insurance companies, for all directors and managerial team for FY 2021. Pursuant to Article 39 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", the Company reported the insured duration, amount, coverage, and other major contents of the liability insurance at board meeting on Aug. 6, 2021 on record. Details of liability insurance for directors and managerial team are posted on the MOPS.

(V) Continuing Education/Training of Directors in 2021:

Title	Name	Date First Elected	Date Elected	Attending Date		Host by	Course Title	Hours	Total
				From	To				
Chairman	Hu, Kai-Hung	March 18, 2019	August 13, 2021	November 3, 2021	November 3, 2021	Securities & Futures Institute	2021 Seminar on Insider Trading Prevention	3	6
				December 22, 2021	December 22, 2021	Taiwan Corporate Governance Association	The 16 th Corporate Governance Forum	3	
Executive Director	Ma, Wan-June	March 18, 2019	August 13, 2021	June 21, 2021	June 21, 2021	Accounting Research and Development Foundation	Case analysis of false financial reports and how to identify key information in financial reports	3	6
				June 22, 2021	June 22, 2021	Accounting Research and Development	Analysis on Report of "Corporate Governance 3.0 Sustainable Development	3	

						Foundation	Roadmap”		
Director	Liou, Ming-Jong	October 1, 2019	August 13, 2021	January 22, 2021	January 22, 2021	Taiwan Corporate Governance Association	Case study: Competition for management rights	3	6
				May 7, 2021	May 7, 2021	Taiwan Corporate Governance Association	A Risk-Based Perspective on Corporate Sustainability Governance	3	
Director	Chang, Ming-Pin	June 26, 2018	August 13, 2021	October 20, 2021	October 20, 2021	Taiwan Corporate Governance Association	Case study: Related Party Transactions and Unconventional Transactions	3	6
				November 12, 2021	November 12, 2021	Taiwan Corporate Governance Association	Enterprise operation and news crisis management strategy	3	
Director	Shieu, Fuh-Sheng	July 22, 2016	August 13, 2021	April 16, 2021	April 16, 2021	VIMC Management Consulting	The key insurance of corporate governance - information security insurance	3	6
				July 3, 2020	July 3, 2020	VIMC Management Consulting	How to read financial statements- a lesson for nonfinancial profession directors and corporate governance officer	3	
Director	Lee, Ming-Li	August 13, 2021	August 13, 2021	October 8, 2021	October 8, 2021	VIMC Management Consulting	How to read financial statements- a lesson for nonfinancial profession directors and corporate governance officer	3	14
				October 15, 2021	October 15, 2021	VIMC Management Consulting	How to evaluate the performance of the board of directors	3	
				November 18, 2021	November 18, 2021	Ministry of Labor	2021 Professional Competences Training for Labor Directors	8	
Director	Yu, Cheng-Tao	December 18, 2017	August 13, 2021	September 3, 2020	September 4, 2020	Securities & Futures Institute	2021 Seminar on Insider Trading Prevention	3	3
Executive and Independent Director	Chan, Chia-Chang	June 26, 2018	August 13, 2021	May 11, 2021	May 11, 2021	Taiwan Corporate Governance Association	Enterprise Financial Information Analysis and Decision-making Application	3	6
				August 10, 2021	August 10, 2021	Taiwan Corporate Governance Association	Analyze sustainable transformation of enterprises from ESG investment and financing	3	
Independent Director	Chen, Yin-Chin	June 26, 2018	August 13, 2021	September 1, 2021	September 1, 2021	Securities & Futures Institute	The 13 th Taipei Corporate Governance Forum	6	6
Independent Director	Lien, Li-Jen	May 31, 2019	August 13, 2021	May 12, 2021	May 12, 2021	Bank of Kaohsiung	Senior Executive Seminar: Anti-money laundering and information security	1	7
				August 4, 2021	August 4, 2021	Taiwan Corporate Governance Association	Discussion on Remuneration Issues for Employees and Directors	3	
				October 28, 2021	October 28, 2021	Securities & Futures Institute	Cases on Legal liability of directors and supervisors for untrue financial reports	3	

4.2 Self-Evaluation of the Board of Directors

Pursuant to Article 37 of “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, AIDC established the Corporation’s “Regulation of Self-Evaluation of the Board of

Directors”. Self-assessments on Board operations (functional committees) and Board members are conducted via surveys on annual basis. The information of self-evaluation of the Board of Directors is also disclosed on MOPS and AIDC website. Assessment results on the performance of board of directors on 2021 is as below:

Evaluation Cycle	evaluation periods	Evaluation Scope	Evaluation Method	Evaluation Result
Annually	2021/1/1 - 2021/12/31	<ol style="list-style-type: none"> 1. The Board 2. Individual directors 3. Functional committee 	<ol style="list-style-type: none"> 1. Self-assessments on Board operations 2. Self-assessments on Board members 3. Self-assessments on functional committees 	<ul style="list-style-type: none"> • Assessment indicators of the Corporation’s Board of Directors includes the following 5 aspects, with 18 indicators: <ol style="list-style-type: none"> 1. Participation in corporate operations. 2. Enhancement of board decision-making quality. 3. Board composition and structure. 4. Director elections and continuous training. 5. Internal control. • Assessment indicators of the Corporation’s directors includes the following 6 aspects, with 15 indicators: <ol style="list-style-type: none"> 1. Understanding of corporate goals and tasks. 2. Recognition of director responsibilities. 3. Participation in corporate operations. 4. Internal relations and communication. 5. Director knowledge and continuous training. 6. Internal control. • Self-assessments of functional committee members includes the following 5 aspects, with 15 indicators: <ol style="list-style-type: none"> 1. Participation in corporate operations. 2. Recognition of functional committee responsibilities. 3. Enhancement of functional committee decision-making quality. 4. Composition of functional committees and election of

				committee members.
				5. Internal control.

Note: The result and advises of self-evaluation of the board of directors of 2021 has submitted to the board meeting on Mar. 28, 2022, and reported to the Remuneration Committee on record.

4.3 Audit Committee (Attendance of Supervisors for Board Meeting)

A. Audit Committee

(1) AIDC Audit Committee comprising 3 independent directors, and assist the board of directors in supervising the company's financial statements, reviewing the assessment report on the independence and competency of the CPA firm, the effectiveness of internal control, the company's compliance with laws and regulations, and risk management. A total of 7 (A)meetings were held and the attendance of the committee members from Jan. 1, 2021 to Mar. 31, 2022 was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Executive and Independent Director	Chan, Chia-Chang	7	0	100%	Re-elected
Independent Director	Chen, Yin-Chin	7	0	100%	Re-elected
Independent Director	Lien, Li-Jen	7	0	100%	Re-elected

Note: AIDC has elected the 9th Board of Directors during Annual Shareholders' Meeting on Aug. 13, 2021.

(2) The major motion reviewed by the Audit Committee from Jan. 1, 2021 to Mar. 31, 2022

- i. Review Financial report, Business Report, and Distribution of earnings
- ii. Review Effectiveness of Internal Control
- iii. Review the amendment of Articles of Charter and the formulation of major regulations
- iv. Review AIDC Business Plan for FY 2022
- v. Review major assets acquisition project
- vi. Review Internal Audit Plan
- vii. Review the assessment report on the independence and competency of the CPA firm
- viii. Review Internal Audit Report
- ix. Review the investment status
- x. Review the handling of other major matters

(3) Matters specified in Article 14-5 of Securities and Exchange Act:

Date/Session	Motions	Objection, reservation or recommendation by member	Resolution	Action Status
March 18, 2021 The 11 th session of the 8 th term of the Board	Business Report for FY 2020	Independent Director Chan, Chia-Chang: the business report should strengthen the expression of profit and loss and R&D	Submit to the Board for approval after providing supplements	Revised the report by independent director's recommendation and approved by the Board
	Financial Report for	—	Submit to the Board.	The financial report

Date/ Session	Motions	Objection, reservation or recommendation by member	Resolution	Action Status
	FY 2020		Note: the financial report shall submitted to Audit Committee if any number is adjusted afterwards.	has re-submitted to the committee to review.
	Distribution of earnings for FY 2020	—	Submit to the Board. Note: the financial report shall submitted to Audit Committee if any number is adjusted afterwards.	The financial report has re-submitted to the committee to review.
	Declaration of Internal Control for FY 2020	—	Submit to the Board for approval	Approved by the Board
	Change of external auditor	—	Submit to the Board for approval	Approved by the Board
	Amendment to AIDC Corporate Charter	Independent Director Lien, Li-Jen: Business projects such as Xiangyuan and cultural and creative industries should be specifically and clearly included in the company's business scope	Submit to the Board for approval	Approved by the Board
March 25, 2021	Financial Report for FY 2020	—	Submit to the Board for approval	Approved by the Board
The 12 th session of the 8 th term of the Board	Distribution of earnings for FY 2020	—	Submit to the Board for approval	Approved by the Board
April 22, 2021 The 13 th session of the 8 th term of the Board	Amendment to the “AIDC Corporate Governance Principle”	Independent Director Chen, Yin-Chin: It is recommended to review the comparison table one by one before finalizing the draft. Independent Director Lien, Li-Jen: It’s recommended that Article 18 and 29 stays the same, and the reasons for the amendment of each provision should be clearly stated	Submit to the Board for approval after providing supplements	Revised the report by independent director’s recommendation and re-submitted the Committee.

Date/ Session	Motions	Objection, reservation or recommendation by member	Resolution	Action Status
	Amendment to the “Rules Governing Financial and Business Matters Between AIDC and its Affiliated Enterprises”	Independent Director Chen, Yin-Chin: It is recommended that the amendments to each item be listed separately for easy reference.	Submit to the Board for approval after providing supplements	Revised the report by independent director’s recommendation and approved by the Board
	Equity sale of UHT Unitech Co., Ltd	Independent Director Chan, Chia-Chang: Please analyze whether UHT Unitech meets AIDC's long-term development, and then submit it to the Audit Committee for review. Independent Director Chen, Yin-Chin: please investigate the current operation of UHT Unitech and provide supplements for review.	Re-evaluate Tcarefully and submitted to the Audit Committee for second review	Revised the report by independent director’s recommendation
October 22, 2021 The 1 st session of the 9 th term of the Board	Internal Audit Plan for FY2022	—	Submit to the Board for approval	Approved by the Board
December 3, 2021 The 1 st session of the 9 th term of the Board	Business Plan for FY 2022	Independent Director Chan, Chia-Chang: (1) Business plan includes short-term and long-term, and should be able to echo the company's goal of "global" and "best ". Please consider the following: the SWOT analysis; the R&D budget’s contribution to the company's gross profit and positive effect on the core development. (2) The Business plan should responds to strategic objectives and takes market expectations into account. (3) It is recommended that the company to discuss future development and positioning, evaluate whether to adjust the	1. The Management unit submitted the business plan after revised it accords to independent directors’ recommendation, then 2. Plans of manpower requirements and EPS estimates for FY2022 will submitted to the next audit committee.	1. Submit to the Board for approval after revising accords to independent directors’ recommendation. 2. Plans of manpower requirements and EPS estimates for FY2022 submitted to the next audit committee.

Date/ Session	Motions	Objection, reservation or recommendation by member	Resolution	Action Status
		business unit to meet long-term development. Independent Director Chan, Chia-Chang and Independent Director Chen, Yin-Chin: Please report manpower requirements and EPS estimates for FY2022 in the next audit committee.		
March 18, 2022 The 3 rd session of the 9 th term of the Board	<ul style="list-style-type: none"> ● Business Report for FY 2021 ● Financial Report for FY 2021 ● Distribution of earnings for FY 2021 ● Declaration of Internal Control for FY 2021 ● Amendment to AIDC Corporate Charter (Articles of Incorporation) ● Amendment to the "AIDC Supervision and Management of its Subsidiaries" 	—	Submit to the Board for approval	Approved by the Board

(4) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None

(5) Matters that required recusal of independent directors from Jan. 1, 2021 to Mar. 31, 2022: None

(6) Communication between independent directors, internal auditor and CPA firm from Jan. 1, 2021 to Mar. 31, 2022:

- i. Communication between independent directors and internal auditor from Jan. 1, 2021 to Mar. 31, 2022:

Date	Method	Motion	Communications and action result
March 17, 2021	Private Meeting	Communication before the 11 th session Audit Committee of the 8 th term of the Board	1. Independent directors acknowledged motions. 2. Internal auditor reported the implementation with good communication with the independent directors.

Date	Method	Motion	Communications and action result
March 18, 2021	Audit Committee Meeting	Report: <ul style="list-style-type: none"> Action status of the 10th session of audit committee of the 9th term of the Baord Q4 2020 and FY2020 Internal Audit Report Motion: <ul style="list-style-type: none"> Declaration of Internal control for FY2020 	1. Consented to the contents of the report and motions; reported to the BOD by audit office. 2. Internal auditor reported the implementation with good communication with the independent directors.
April 21, 2021	Private Meeting	Communication before the 13 th session Audit Committee of the 8 th term of the Board	1. Independent directors acknowledged motions. 2. Internal auditor reported the implementation with good communication with the independent directors.
April 22, 2021	Audit Committee Meeting	<ul style="list-style-type: none"> Action status of the 11th and 12th session of audit committee of the 9th term of the Baord Q1 2021 Internal Audit Report 	1. Independent directors acknowledged motions. 2. Internal auditor reported the implementation with good communication with the independent directors.
July 21, 2021	Private Meeting	Communication before the 14 th session Audit Committee of the 8 th term of the Board	1. Independent directors acknowledged motions. 2. Internal auditor reported the implementation with good communication with the independent directors.
July 22, 2021	Audit Committee Meeting	<ul style="list-style-type: none"> Action status of the 13th session of audit committee of the 9th term of the Baord Q2 2021 Internal Audit Report 	1. Independent directors acknowledged motions. 2. Internal auditor reported the implementation with good communication with the independent directors.
October 20, 2021	Private Meeting	Communication before the 1 st session Audit Committee of the 9 th term of the Board	1. Independent directors acknowledged motions. 2. Internal auditor reported the implementation with good communication with the independent directors.
October 22, 2021	Audit Committee Meeting	Report: <ul style="list-style-type: none"> Action status of the 14th session of audit committee of the 8th term of the Baord Q3 2021 Internal Audit Report Motion: <ul style="list-style-type: none"> Internal Audit Plan for FY2022 	1. Consented to the contents of the report and motions; reported to the BOD by audit office. 2. Internal auditor reported the implementation with good communication with the independent directors.
October 22, 2021	Private Meeting	Communication on Internal audit work	1. Independent directors acknowledged the content. 2. Internal auditor reported the implementation with good communication with the independent directors.
December 1, 2021	Private Meeting	Communication before the 2 nd	1. Independent directors

Date	Method	Motion	Communications and action result
		session Audit Committee of the 9th term of the Board	acknowledged motions. 2. Internal auditor reported the implementation with good communication with the independent directors.
December 3, 2021	Audit Committee Meeting	Action status of 1 st session Audit Committee of the 9th term of the Board	1. Independent directors acknowledged actions. 2. Internal auditor reported the implementation with good communication with the independent directors.
March 10, 2022	Private Meeting	Communication on Internal audit work	1. Independent directors recommend to emphasize on the audit of investment management and budget management. 2. Internal auditor reported the implementation with good communication with the independent directors.
March 16, 2022	Private Meeting	Communication before the 3 rd session Audit Committee of the 9th term of the Board	1. Independent directors acknowledged motions. 2. Internal auditor reported the implementation with good communication with the independent directors.
March 18, 2022	Audit Committee Meeting	Report: <ul style="list-style-type: none"> Action status of the 2nd session Audit Committee of the 9th term of the Board Q4 2021 and FY2021 Internal Audit Report Motion: <ul style="list-style-type: none"> Declaration of Internal control for FY2021 	1. Consented to the contents of the report and motions; reported to the BOD by audit office. 2. Internal auditor reported the implementation with good communication with the independent directors.

ii. Communication between independent directors and CPA firm from Jan. 1, 2021 to Mar. 31, 2022

Date	Method	Motion	Communications and action result
March 18, 2021	Audit Committee Meeting	FY2020 Financial report	CPA reported 2020 financial statement audit results and key audit matters with good communication with the independent directors, and the motion was approved.
April 22, 2021	Audit Committee Meeting	Q1 2021 financial report	CPA reported Q1 2021 financial statement audit results with good communication with the independent directors, and the motion was approved.
July 22, 2021	Audit Committee Meeting	Q2 2021 financial report	CPA reported Q2 2021 financial statement audit results with good

Date	Method	Motion	Communications and action result
			communication with the independent directors, and the motion was approved.
October 22, 2021	Audit Committee Meeting	Q3 2021 financial report	CPA reported Q3 2021 financial statement audit results with good communication with the independent directors, and the motion was approved.
October 22, 2021	Private Meeting	FY 2021 financial statement audit plan and key audit matters	CPA reported 2021 financial statement audit plan and key audit matters with good communication with the independent directors.
March 10, 2022	Private Meeting	FY 2021 financial statement audit results	CPA reported 2021 financial statement audit results and key audit matters with good communication with the independent directors.
March 18, 2022	Audit Committee Meeting	FY 2021 financial report	CPA reported 2021 financial statement audit results and key audit matters with good communication with the independent directors, and the motion was approved.

4.4 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Y	N	Abstract	
I. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?	✓		AIDC has established the “Corporate Governance Guideline for Aerospace Industrial Development Corp.” and has uploaded the information to MOPS and the official website of the Company. http://www.aidc.com.tw/tw/investor/governance/regulation	No Significant Variation
II. Shareholder structure and equity (I) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		AIDC has called for the General Meeting of Shareholders as required by law, and responded to the opinions representing the equity holding of the shareholders one by one and kept as minutes on record. The Company has also established the spokesman system, mailbox of the Board and customer service hotline, and the telephone and e-mail for access to the Supervisors, Spokesman and Deputy Spokesman.	No Significant Variation

Item	Implementation Status			Deviations from “Corporate Governance Best- Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Y	N	Abstract	
(II) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		AIDC has entrusted a share registration service agent for assistance in handling share registration, transfer and related matters for the shareholders, and can keep the dominant shareholders of the Company in control and the list of the final shareholders of these dominant shareholders on track.	No Significant Variation
(III) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(III) AIDC has established the “Rules Governing Financial and Business Matters Between AIDC and its Affiliated Enterprises” and the “Regulations Governing AIDC’s Management and Supervision of its Subsidiaries” for risk control.	No Significant Variation
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(IV) AIDC has established the “Aerospace Industrial Development Corp. Guidelines for Materiality Management and the Prevention of Insider Trade”, and has been passed by the Board of Directors. In order to implement integrity management, the Company has established accounting systems, internal control systems, and formulated ethical codes of conduct, integrity management codes, etc., and each responsible department / person implements its rights and responsibilities in accordance with aforementioned regulations. Every year, the audit unit evaluates the risk and submitted the annual audit plan for the board approval. And various internal control operations are audited, and timely improvement suggestions are provided to prevent the occurrence of dishonesty and ensure the continuous and effective implementation of the internal control system.	No Significant Variation

Item	Implementation Status			Deviations from “Corporate Governance Best- Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Y	N	Abstract	
III. Composition and Responsibilities of the Board of Directors (I) Does the Board develop and implement a diversified policy for the composition of its members?	✓		<p>According to the Amendment to the “Corporate Governance Guideline for Aerospace Industrial Development Corp.” and the Board Election Procedure, the composition of BOD shall consider diversification and has drawn up diversity policy based on its operation, business model and development, and all members of the Board shall be qualified with a diversity of knowledge, skill and competence in performing their duties. For purpose of corporate governance, the Board with the diverse abilities shall be capable of making judgment on the operation, corporate management, crisis management, and possess industry knowledge, a broad view of the international market, leadership, and decision-making ability. Diversity goals are to include one female director, independent directors shall not serve for more than three consecutive terms, at least two labor directors, company managers concurrently serving as directors shall not exceed one-third of the directors. In addition to the ability of directors to perform their duties. The company also pays attention to labor-management harmony and the stability and independence of labor-management relations, including female directors, labor directors, independent directors serving consecutive terms and company managers concurrently serving as directors Etc., the implementation of the diversity management objectives is as follows</p> <ol style="list-style-type: none"> 1. The company has 11 directors, 1 female director, who is an independent director, accounting for 9.09%, 10 male directors accounting for 90.91%, 3 employee directors accounting for .27.27% (1 manager, 2 labor union representatives); all The average age of directors is 59.54 years old (6 directors are 50-59 years old, and 5 directors are 60-69 years old); the average tenure of the 3 independent directors is 3.4 years. The Company will follow “Corporate Governance 3.0 Sustainable Development Roadmap”, to gradually increase the number of independent directors. 2. Among all the directors, Chairman Hu, Executive Director Ma, Director Liou, Director Zhang, Director Shieu, Director Mei, Executive Director Chan and Independent Director, Independent Director Chen and Independent 	No Significant Variation

Item	Implementation Status			Deviations from “Corporate Governance Best- Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Y	N	Abstract	
			<p>Director Lien all possess capability in operation judgement, leadership, decision-making, and crisis management capabilities. Directors who have expertise in industrial knowledge, and an international outlook are Chairman Hu, Executive Director Ma, Director Shieu, Director Hsiao, and Director Lee,. Currently, independent director Chan is the only one that possess expertise in finance and accounting, while director Chang and independent director Chen and Lien are expertise in legal-practice.</p> <p>Our current directors are all industrial or academic experts, with significant management experience in listed companies or in government institutes, chairman Hu Kai-Hung was vice chief of the general staff of Ministry of National Defense; director Ma Wan-June was vice president of National Chung-Shan Institute of Science and Technology; director Liou Ming-Jong currently serve as director of State-owned Enterprise Commission Affairs; director Chang Ming-Pin is the executive secretary of Investment Commission, Director Mei is currently the Deputy Chief of Staff Executive Officer of the Ministry of Defense Staff Headquarter; As for academic expertise, director Shieu, Fuh-Sheng is the President of National Chung Hsing University; independent director Chan Chia-Chang is vice president of Tunghai University; independent director Chen Yin-Chin is the associate Professor of Chung Yuan Christian University; and independent director Lien, Li-Jen is lawyer of Gongxin United Law Firm. Meanwhile, independent director Chan, Chia-Chang and Lien, Li-Jen, and director Liou, Ming-Jong concurrently serving as independent director/director in other public companies. All in all, the BOD composition is diversified and function well.</p> <p>3. For the diversity and qualification of the BOD members, please refer to AIDC website below. http://www.aidc.com.tw/tw/investor/governance/board.</p>	

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and Reasons																		
	Y	N	Abstract																			
(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		<div>1. Company has established “Information & Communication Security Committee”, approved by the Board of Directors on December 18, 2020, to strengthen the information security management. The term of the information and communication security committee of the ninth session of the board of directors is from November 5, 2021 to August 12, 2024. The committee is now composed of five members, three of which are independent directors. The committee is convened by independent director Lien, and members Chuang, Jennifer (deputy general manager) and Lee, Wei-Bin (professor) have professional capabilities in information and communication security.</div> <table><tr><th>Title</th><th>Name</th><th>Security profession</th></tr><tr><td>Convener Independent Director</td><td>Lien, Li-Jen</td><td></td></tr><tr><td>Member Independent Director</td><td>Chan, Chia-Chang</td><td></td></tr><tr><td>Member Independent Director</td><td>Chen, Yin-Chin</td><td></td></tr><tr><td>Member Independent Director</td><td>Chuang, Jennifer</td><td>V</td></tr><tr><td>Member Professor</td><td>Lee, Wei-Bin</td><td>V</td></tr></table> <div>2. Committee's mandate 2.1 Review of information and communication security policies. 2.2 Review of information and communication security management system. 2.3 Review of the promotion and effectiveness of the annual information security plan. 2.4 Review and contingency measures for temporary major information and communication security incidents. When a temporary major information and communication security incident occurs, the information and communication security management team will carry out emergency treatment and report to the Information and Communication Security Committee for post-event approval within two weeks.</div>	Title	Name	Security profession	Convener Independent Director	Lien, Li-Jen		Member Independent Director	Chan, Chia-Chang		Member Independent Director	Chen, Yin-Chin		Member Independent Director	Chuang, Jennifer	V	Member Professor	Lee, Wei-Bin	V	No Significant Variation
Title	Name	Security profession																				
Convener Independent Director	Lien, Li-Jen																					
Member Independent Director	Chan, Chia-Chang																					
Member Independent Director	Chen, Yin-Chin																					
Member Independent Director	Chuang, Jennifer	V																				
Member Professor	Lee, Wei-Bin	V																				

Item	Implementation Status			Deviations from “Corporate Governance Best- Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Y	N	Abstract	
			3. AIDC has held information and communication security committee meetings on May 13, 2021 and December 3, 2021 to discuss the company's information and communication security policy, 2022 information and communication security quantitative goals, and 2021 information and communication security plan promotion and other proposals.	
(III) Does the company establish a standard to measure the performance of the Board, and implement it annually, and report the results of the performance evaluation to the board of directors and use them as a reference for individual directors' salary, remuneration and nomination?	✓		<p>Pursuant to Article 39 of “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies”, the Corporation’s “Regulation of Self-Evaluation of the Board of Directors” was passed at the 8th meeting of the 8th term of Board of Directors on August 12, 2019. Meanwhile, per Announcement Tai- Zheng-Zhi-li No.1070025395 issued by Taiwan Stock Exchange Corporation, the Corporation’s “Regulation of Self-Evaluation of the Board of Directors” has announced on MOPS on August 14, 2019. The regulation is also disclosed on the company’s website (http://www.aidc.com.tw/tw/investor/governance/regulation)</p> <p>The evaluation implementation of 2021 is as below:</p> <ol style="list-style-type: none"> 1. According to the regulation, the performance evaluation indicators of the company's board of directors are regularly reviewed by the Remuneration Committee and adjusted to improve the operation efficiency of the board of directors. The company shall performs the performance evaluation of the board of directors every year. Internal board performance evaluations shall be completed before the end of the first quarter of the following year, reviewed and improved in the report of the board of directors, and may be used as the basis for the determination of directors ’remuneration. 2. The evaluation result of the board as a whole, individual directors and functional committees are 4.69~4.98, which is between score 4 (agreed) and 5 (Totally agreed). The directors mostly agreed with the operation of various evaluation indicators. According to the result, the board and committees function well, and in line with the requirements of corporate governance. <p>The result and advises of self-evaluation of the board of directors of 2021 has submitted to the board meeting on Mar. 28, 2022, and</p>	No Significant Variation

Item	Implementation Status			Deviations from “Corporate Governance Best- Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Y	N	Abstract	
			<p>reported to the Remuneration Committee on record. The regulation is also disclosed on the company’s website</p> <p>3. The evaluation result of the 2021 board of directors is based on the overall performance. The director’s remuneration is refer to the evaluation result, and regulation in Article 28 of the company’s Articles of Charter, which set the upper limit of 0.58% of the pre-tax net profit.</p>	
(IV) Does the company regularly evaluate the independence of CPAs?	✓		<p>AIDC conducted routine evaluation on the independence of the external auditors:</p> <ol style="list-style-type: none"> 1. AIDC set up an Audit Committee in June 2015, and one of its major functions is to assess the independence and competency of the external auditors. 2. The Audit Committee shall assess once a year the independence and competency of the CPA firm per following processes and report the result to the Board: <ol style="list-style-type: none"> 2.1 The Company shall draw up a questionnaire per the “No. 10 Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China -Integrity, Objectivity and Independence”(The main important items include the independence of the accountant audit team, audit experience and professionalism, external inspection and punishment, accountant replacement, audit/non-audit entrusted service ratio, etc.), and provide it with CPA firm’s declaration of independence and its performance report to the directors and major management departments of the Company for assessment, and shall prepare the assessment report for submittal to Audit Committee. 2.2 Confirm the audit is not conducted by the same external auditors for more than 7 consecutive years 3. The assessment report on the independence and competency of the CPA firm for FY 2021 has been submitted to Audit Committee on Oct. 22, 2021 and was approved and duly recognized by the Board of Directors on Nov. 05, 2021. 	No Significant Variation
IV. Does the company have qualified corporate	✓		Pursuant to “Regulations Governing Procedure for Board of Directors Meetings of Public Companies”,	No Significant Variation

Item	Implementation Status			Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and Reasons																				
	Y	N	Abstract																					
governance persons in an appropriate number and appoint one chief corporate governance officer as the most senior executive for corporate governance matters (including but not limited to; providing information required for performance of duties by the directors and supervisors, assisting in the directors' and supervisors' compliance of law, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration, and producing minutes of board meetings and shareholders meetings)?			<p>the Executive Office has been designated as the unit responsible for handling board meeting, and Director of Executive Office Chen Zong-Hong has appointed as the Corporation’s corporate governance officer by the board of directors in 2019. The Executive Office has designated persons to be in charge of corporate governance affairs including; handling matters and minutes relating to board meetings and shareholders meetings, furnishing information required for business execution by directors and assisting them with legal compliance, handling company registration change. Meanwhile, the Company will keep following Corporate Governance Roadmap by Financial Supervisory Commission, to protect shareholder rights, strengthen Board functions, and improve the Company’s performance in corporate governance.</p> <p>1. Mr. Chen Zong-Hong has been serving as the Director of Chairman Office for more than 5 years, handling the shareholding and corporate governance affairs, which accords to the qualification of Corporate governance officer specified pursuant to Article 24 of “Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers”. The training status of Corporation’ s corporate governance officer in 2021 is as follows :</p> <table><tr><th>Attending Date</th><th>Host by</th><th>Course Title</th><th>Hours</th></tr><tr><td>Feb. 24, 2021</td><td>Accounting Research and Development Foundation</td><td>Analysis on Report of “Corporate Governance 3.0 Sustainable Development Roadmap”</td><td>3</td></tr><tr><td>Mar. 23, 2021</td><td>Accounting Research and Development Foundation</td><td>ESG’s positive impact on Corporate</td><td>3</td></tr><tr><td>Mar. 30, 2021</td><td>Accounting Research and Development Foundation</td><td>Case study:legal compliance of General meeting</td><td>3</td></tr><tr><td>June 21, 2021</td><td>Accounting Research and Development Foundation</td><td>Case analysis of false financial reports and how to identify key information in fina.cial reports</td><td>3</td></tr></table>	Attending Date	Host by	Course Title	Hours	Feb. 24, 2021	Accounting Research and Development Foundation	Analysis on Report of “Corporate Governance 3.0 Sustainable Development Roadmap”	3	Mar. 23, 2021	Accounting Research and Development Foundation	ESG’s positive impact on Corporate	3	Mar. 30, 2021	Accounting Research and Development Foundation	Case study:legal compliance of General meeting	3	June 21, 2021	Accounting Research and Development Foundation	Case analysis of false financial reports and how to identify key information in fina.cial reports	3	
Attending Date	Host by	Course Title	Hours																					
Feb. 24, 2021	Accounting Research and Development Foundation	Analysis on Report of “Corporate Governance 3.0 Sustainable Development Roadmap”	3																					
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Item	Implementation Status			Deviations from “Corporate Governance Best- Practice Principles for TWSE/GTSM Listed Companies” and Reasons								
	Y	N	Abstract									
			<table><tr><td>Nov. 3, 2021</td><td>Securities & Futures Institute</td><td>2021 Seminar on Insider Trading Prevention</td><td>3</td></tr><tr><td colspan="3">Total training hours in 2021</td><td>15</td></tr></table>	Nov. 3, 2021	Securities & Futures Institute	2021 Seminar on Insider Trading Prevention	3	Total training hours in 2021			15	
Nov. 3, 2021	Securities & Futures Institute	2021 Seminar on Insider Trading Prevention	3									
Total training hours in 2021			15									
			<p>2. Implementation status of corporate governance in 2021 is as follow:</p> <p>(1) Calling of BOD meetings and shareholders meeting per laws.</p> <p>(2) Producing, distributing and disclosing the minutes of board meetings and shareholders meeting.</p> <p>(3) Furnishing information required for business execution by director to facilitate communication with AIDC management.</p> <p>(4) Amending “Amendments to the relevant norms for financial business between affiliated companies, Amendments to corporate governance priorities, and Amendments to the organizational regulations of the Information and Communication Security Committee” and submitted for Board approval.</p> <p>(5) On 2021/02/26, the board of directors approved the holding of the 2021 general meeting of shareholders.</p> <p>(6) On 2021/03/26, the board of directors has submitted the report on the performance evaluation results of the board of directors of the Company in 2020.</p> <p>(7) 2021/05/07, the board of directors submits a report on the sustainable development blueprint of corporate governance 3.0.</p> <p>(8) On 2021/07/20, the board of directors has approved the postponement of the 2021 general meeting of shareholders due to the pandemic.</p> <p>(9) On 2021/08/06, the board of directors has submitted the company's 2021 director and manager liability insurance report.</p> <p>(10) On 2021/08/06, the board of directors submitted an analysis report on the company's 2020 corporate governance evaluation entering the top 5%.</p> <p>(11) On August 6, 2021, the board of directors reviewed and approved the revision of the company's corporate governance work points.</p> <p>(12) On October 22, 2021, the independent directors have communicated individually with the chief auditor/accountant.</p>									

Item	Implementation Status			Deviations from “Corporate Governance Best- Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Y	N	Abstract	
			<p>(13) On November 5, 2021, the Board of Directors reviewed and approved the appointment of members of the Remuneration Committee and the Information and Communication Security Committee.</p> <p>(14) On 2021/12/03, the Audit Committee has submitted a report on the current status of ESG implementation of the Company.</p> <p>(15) The newly appointed directors in 2021 have been informed separately, so that the new directors understand their responsibilities and the operation of the company.</p> <p>(16) Handle the operating procedures required by directors within this year, handle matters related to directors' work execution needs, provide directors with appropriate and timely information, and enable directors to perform their duties.</p> <p>(17) During this year, directors were provided with training information and corporate governance-related publicity and regulations from time to time to assist directors in complying with laws and regulations.</p> <p>(18) Continue to urge the management department to strictly abide by the laws and regulations and internal control system, report the company's major financial and business issues to the board of directors or submit it to the board of directors for deliberation, to ensure that the company's operation and management are legal.</p> <p>(19) The management department has been urged to complete the annual regular or non-regular announcements and declarations in accordance with the regulations, and to complete the relevant important information announcements in accordance with the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities ", which is in line with the transparency of corporate governance information. Guarantee the equivalence of investor transaction information.</p> <p>(20) Execute company registration changes in accordance with the law, and properly</p>	

Item	Implementation Status			Deviations from “Corporate Governance Best- Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Y	N	Abstract	
			manage to ensure the validity of company registration documents (21) For AIDC corporate governance and major BOD resolutions, please refer to the MOPS and AIDC website (http://www.aidc.com.tw/tw/investor).	
V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		There is a designated section for stakeholders (including but not limited to shareholders, employees, customers and suppliers) on the web pages of the AIDC website at http://www.aidc.com.tw/tw/cse/stakeholder . All the matters and issues of corporate social responsibility concerned by the stakeholders will be duly responded. Furthermore, the Company reported the communication status with stakeholders to Board of Director every quarter.	No Significant Variation
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		AIDC has entrusted Fubon Securities for handling matters related to the General Meeting of Shareholders	No Significant Variation
VII. Information Disclosure (I) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		AIDC has disclose both financial standings and the status of corporate governance on website respectively at http://www.aidc.com.tw/tw/investor/governance/principle ; http://www.aidc.com.tw/tw/investor .	No Significant Variation
(II) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		AIDC has designated personnel responsible for the collection and disclosure of information, and has installed a website in the English language at http://www.aidc.com.tw/tw . The spokesman system is in place as required for responding to relevant issues. The minutes of the institutional investor conference have been posted at http://www.aidc.com.tw/tw/investor/conference for viewing.	No Significant Variation
(III) Does the company announces and register the annual financial report within two months after the end of the fiscal year, and announces and register the first, second and third quarter financial reports and the operating situation of each month in		✓	AIDC has followed Securities and Exchange Act and related regulations to publicly announce and register the annual financial report within three months after the close of each fiscal year; announce and register the first, second and third quarters financial report within 45 days after the end of each quarter; and announce and register the operation status of preceding month within the first 10 days of each month.	The annual financial report doesn't announced and registered within two months after the end of the fiscal year.

Item	Implementation Status			Deviations from “Corporate Governance Best- Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Y	N	Abstract	
advance of the prescribed period?				
VIII. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<p>(I) Employee rights and privileges and employee care:</p> <ol style="list-style-type: none"> 1. AIDC has established an industry labor union and labor-management meeting as the platform for two-way communication between the management and the labor. 2. AIDC has also established an employee welfare committee for providing fringe benefits for the employees. 3. Employment of the physically and mentally impaired for work. <p>(II) Investor relation: AIDC has disclosed information required for disclosure at MOPS and the system of spokesman and deputy spokesman for responding to relevant issues to maintain positive interactions and relation with the investors.</p> <p>(III) Supplier relation: AIDC is on good terms with the suppliers and convened with each other regularly for exchange of opinions. AIDC has requested suppliers’ cooperation in compliance with laws and regulations of environmental protection, industrial safety and health, as well as improvement of CSR.</p> <p>(IV) Rights of the stakeholders: AIDC has established the system of spokesman as the channel for communications with the stakeholders. AIDC has also established special news zone and corporate governance zone at its website for providing information on the operation and financial position.</p> <p>(V) Continuing education of the Directors: In 2021 the status of continuing education of the Directors and Corporate Governance Officer has been disclosed at MOPS and listed on page 30 of the Annual Report.</p> <p>(VI) AIDC has established the “Risk Management Guidelines” and formed a Risk Management Committee in charge of risk assessment. The</p>	No Significant Variation

Item	Implementation Status			Deviations from “Corporate Governance Best- Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Y	N	Abstract	
			<p>Business Management Department formulates Annual Risk Management Plan in Q1, which contains risk policy, risk profile, risk management list and risk strategy that accords to operation strategy and goals and risk management policy, and reports to Risk Management Committee for approval. The performance of previous year, the current year risk policy and risk profile are reported to Board of Directors for record. The implementation of risk management is also disclosed at AIDC website http://www.aidc.com.tw/tw/investor/governance/riskmanagement</p> <p>(VII) The pursuit of customer policy: AIDC has designated bodies for taking care of customer issues.</p> <p>(VIII) The protection of the Directors and Supervisors by professional liability insurance: AIDC has taken professional liability insurance coverage for the Directors and managerial officers since 2014. Pursuant to Article 39 of “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, the Company reported the insured duration, amount, coverage, and other major contents of the liability insurance at board meeting on Aug. 6, 2021 on record. The detailed information could be found at MOPS.</p>	
<p>X. As per the corporate governance evaluation result for the last year announced by the Corporate Governance Center, improvements and measures taken on yet improved matters are listed as below: AIDC being ranked in top 5% in Corporate Governance Evaluation TWSE listed companies in 2021, which demonstrated our efforts in information disclosure. To respond to the net zero trend in the world, we set carbon neutral as long term goal, and will deepen in the energy industry, which includes existing biogas power generation business and energy storage systems.</p> <p>1. Improvements made in year 2021:</p> <p>(1) Disclosed the private communication between independent directors, chief internal auditor and the external auditors on the company's website.</p> <p>(2) Conducted verification of the annual emissions of GHG of Taichung plant by an external institution.</p> <p>(3) Activated the automatic frequency control (AFC) service and participated in power trading starting October 2021 by the newly established 5MW energy storage system.</p> <p>2. Priority matters and actions to be taken in 2022:</p> <p>(1) Conduct verification of the annual emissions of greenhouse gases(GHG) of Taichung, Shalu and Gang Shan plants by an external institution.</p> <p>(2) Disclose ESG information with accords to SASB standards in 2021 ESG report.</p> <p>(3) Revise regulation on insider trading prevention, to prevent directors trading stocks within 30 days of financial statement announcement.</p> <p>(4) Implement carbon neutral related measures and goals.</p> <p>(5) In compliance with Financial Supervisory Commission’s regulation, the Company shall continue to reinforce corporate governance and information disclosure.</p>				

4.5 Composition, Responsibilities and Operations of Remuneration Committee

4.5.1 Professional Qualifications and Independence Analysis of Committee Members

Title	Criteria	Professional qualification and work experience	Independence	Number of Other Public Companies in which the Individual is Concurrently Serving as a Committee Member
	Name			
Executive and Independent Director	Chan, Chia-Chang	Refers to page 18-20	Refers to page 18-20	2
Independent Director	Chen, Yin-Chin	Refers to page 18-20	Refers to page 18-20	0
Independent Director	Lien, Li-Jen	Refers to page 18-20	Refers to page 18-20	1
Other	Xu, En-De	<p>Education: Ph.D. in Accounting, National Taiwan University</p> <p>Current Position: Professor, Department of Accounting, Tunghai University;</p> <p>Work experiences: Member of the Taichung City Government Social Training Project Promotion Team, Chairman of the Taiwan Social Enterprise Sustainable Development Association, Executive Director of the Chinese Family Heritage Development Association, Director of</p>	<p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it.</p> <p>(3) Not a shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of total shares issued by the Company or ranks as one of its top ten natural-person shareholders.</p> <p>(4) Not a spouse, relative within the second degree of relationship, or lineal blood relative within the third degree of relationship of managerial officers listed in the criterion (1) or individuals listed in the criterion (2) and (3).</p> <p>(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total shares issued by the Company, ranks as one of its top five shareholders or designates a representative as the director or supervisor of the Company pursuant to Paragraph 1 or 2, Article 27 of the Company Act. Not applicable in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it.</p> <p>(6) Not a director, supervisor, or employee of another company whose half of the seats of directors or shares with voting rights is controlled by the same person as the Company. Not applicable in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it.</p> <p>(7) Not a director (member of the governing board), supervisor (member of the supervisory board) or employee of another company or institution that the Chairman, President or person holds an equivalent position of it are the same person or the spouse of the person holding the aforementioned positions of the Company. Not applicable in cases where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of</p>	4

Title	Criteria	Professional qualification and work experience	Independence	Number of Other Public Companies in which the Individual is Concurrently Serving as a Committee Member
	Name			
		the Chinese Accounting Education Society, Supervisor of the Taiwan Financial Research Institute, and Talent Cultivation of the Republic of China Securities OTC Center Committee Advisor, etc.	<p>the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it.</p> <p>(8) Not a director (member of the governing board), supervisor (member of the supervisory board), managerial officer, or shareholder holding 5% or more of shares of a specified company or institution that has a financial or business relationship with the Company. Not applicable in cases where the company or institution holds more than 20% but no more than 50% of the total shares issued by the Company and where the person concurrently serves as the independent director, which is appointed in accordance with the Securities and Exchange Act or with the laws of the country of the parent company or subsidiary, of the Company and its parent company, subsidiaries, or any company that shares the same parent company with it.</p> <p>(9) Not a professional individual who, or an owner, partner, director (member of the governing board), supervisor (member of the supervisory board), or managerial officer of a sole proprietorship, partnership, company, or institution, that provides audit services, or commercial, legal, financial, accounting or related services from which a cumulative amount of remuneration not exceeding NT\$500,000 has been obtained in the most recent two years, to the Company or to any of its affiliates, or a spouse thereof. Not applicable in cases where the person is a member of the remuneration committee, the public tender offer review committee or the special committee for merger/consolidation and acquisition who exercises powers pursuant to the Securities and Exchange Act and the Business Mergers and Acquisitions Act.</p> <p>(10) Not been a person of any conditions defined in Article 30 of the Company Act.</p>	

4.5.2 Operations of Remuneration Committee

- (1) The tenure of the committee members of the 8th term of the Board starts from August 9, 2018 and ends on August 13, 2021, and is comprised of 4 members (including 3 independent directors).
- (2) (2) The tenure of the committee members of the 9th term of the Board starts from November 5, 2021 and ends on August 12, 2024, and is comprised of 3 members (independent directors).
- (3) The Compensation Committee assists the Board in discharging its responsibilities related to AIDC's compensation and benefits policies, plans and programs, and in the evaluation and compensation of AIDC's directors of the Board and executives.

A total of 3 meetings of Remuneration Committee were held from January 1, 2021 to March 31, 2022. Member attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks (term)
Chair	Chan, Chia-Chang	3	0	100%	Re-elected on Nov. 5, 2021
Member	Chen, Yin-Chin	3	0	100%	Re-elected on Nov. 5, 2021
Member	Xu, En-De	3	0	100%	Re-elected on Nov. 5, 2021

Member	Lien, Li-Jen	1	0	100%	Discharged on on August 13, 2021
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Note: The Committee exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors for discussion.

- 1.Periodically reviewing this Charter and making recommendations for amendments.
- 2.Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors and managerial officers of this Corporation
- 3.Periodically assessing the degree to which performance goals for the directors and managerial officers of this Corporation have been achieved, setting the types and amounts of their individual compensation

4.5.3 Important notices

Date	Session	Motions	Resolution	Action Status
March 18, 2021	The 7 th session of the 8 th term of the Board	Report: • FY 2020 board performance evaluation result	Agreed to the report	—
		Motion: • Review of indexes of board performance evaluation for FY 2021 • Allocation of remuneration to employees and directors for FY 2020 • Distribution of bonus of managerial officers for FY 2020 • Principles for bonus of Chairman, President, Vice Presidents and managerial officers concerned for FY 2021	Submit to the Board for approval	Approved by the Board
December 3, 2021	The 1 st session of the 9 th term of the Board	Report: Action status of the 7 th session of remuneration committee of the 8 th term of the Baord	Agreed to the report	—
March 17, 2022	The 2 nd session of the 9 th term of the Board	Report: • Action status of the 1 st session of remuneration committee of the 9 th term of the Baord • FY 2021 board performance evaluation result	Agreed to the report	—
		Motion: • Review of indexes of board performance evaluation for FY 2022 • Allocation of remuneration to employees and directors for FY 2021 • Distribution of bonus of managerial officers for FY 2021 • Principles for bonus of Chairman, President, Vice Presidents and managerial officers concerned for FY 2022	Submit to the Board for approval	Approved by the Board

4.6 Sustainable Development Status and Deviations from “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”

Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-listed Companies” and Reasons
	Y	N	Abstract	
I. Does the company established a governance structure to promote sustainable development, and set up a dedicated (or non-dedicated) unit to promote sustainable development, relevant affairs of which are handled by senior managerial officer under the Board’s authorization and supervision?	✓		<p>1. In order to effectively identify and control the risks that affect the company operation, AIDC adopted the establishment of CSR Consultation Committee in 2018. Chairman Hu serves as the chairman of the Committee, president, vice president, and directors of ESG related department are members. The Committee evaluate the significant "impact degree" on the economy, environment and society, formulate medium and long-term sustainable development plans and provide ESG promotion consultation. In response to international development trends of sustainability, the Committee renamed as "ESG Promotion Committee" in December 2021</p> <p>2. Implementation status of 2021:</p> <ul style="list-style-type: none"> • CSR Consultation Committee was renamed as ESG Promotion Committee • “Green Products/Green Procurement” unit of the Committee was renamed as “Carbon neutral promotion” unit • Planning the short, medium and long-term goals for carbon neutral goal to meet the international trend of net zero carbon emissions. <p>3. "ESG Promotion Committee" is comprising 5 units, which are “Corporate Governance unit”, “Employee Caring Unit”, “Social involvement unit”, “Carbon neutral promotion unit”, and “ESG secretariat unit”. The units responsible for identifying sustainable issues of concern to stakeholders, formulating strategic policies and the implementation. “ESG secretariat unit” (served by “strategy & operational management department”) is set to assist the Committee for the advocacy of ESG, and in charge of formulating ESG policy, system, management guidelines and implementation plan, and reporting to the Board on the result at regular intervals.</p> <p>4. The information of risk management and plan is disclosed on official website at http://www.aidc.com.tw/tw/cse.</p>	c

Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM- listed Companies” and Reasons																				
	Y	N	Abstract																					
II. Does the company conduct risk assessment of environmental, social and corporate governance issues for its operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	✓		<div>1. This disclosure covers the company's sustainable development performance for FY 2021. The risk assessment boundary is mainly based on the company's operating scope in Taiwan, including Taichung Plant, Shalu Plant and Gang Shan Plant.</div> <div>2. The "ESG Promotion Committee" analyzes the materiality principle of the Sustainability Report, communicates with internal and external stakeholders, and evaluates material ESG issues with reference to international trends and the characteristics of the defense and aerospace industry to formulate risk management policies and action plans to reduce the impact of related risks.</div> <table><tr><th>Topic</th><th>Risk item</th></tr><tr><td rowspan="2">Environment</td><td>• Climate change</td></tr><tr><td>• Hazardous Substance Management</td></tr><tr><td rowspan="2">Social</td><td>Labor relation</td></tr><tr><td>Occupational Safety and Health</td></tr><tr><td rowspan="10">Governance</td><td>Corporate governance regulation</td></tr><tr><td>Risk management</td></tr><tr><td>Operation financial performance</td></tr><tr><td>Advance jet trainer project</td></tr><tr><td>Sustainability development</td></tr><tr><td>Ethical conduct</td></tr><tr><td>• Product safety</td></tr><tr><td>• R&D</td></tr><tr><td>• Customer service</td></tr><tr><td>Supplier management</td></tr><tr><td>Information security</td></tr></table> <div>The policy of risk items identified above, please refer to the Company’s website (http://www.aidc.com.tw/tw/cse).</div>	Topic	Risk item	Environment	• Climate change	• Hazardous Substance Management	Social	Labor relation	Occupational Safety and Health	Governance	Corporate governance regulation	Risk management	Operation financial performance	Advance jet trainer project	Sustainability development	Ethical conduct	• Product safety	• R&D	• Customer service	Supplier management	Information security	No Significant Variation
Topic	Risk item																							
Environment	• Climate change																							
	• Hazardous Substance Management																							
Social	Labor relation																							
	Occupational Safety and Health																							
Governance	Corporate governance regulation																							
	Risk management																							
	Operation financial performance																							
	Advance jet trainer project																							
	Sustainability development																							
	Ethical conduct																							
	• Product safety																							
	• R&D																							
	• Customer service																							
	Supplier management																							
Information security																								
III. (I) Environment Issues Does the Company established an appropriate environmental management system in accordance with its industrial characteristics?	✓		<div>AIDC has successfully passed the accreditation of ISO 14001 by SGS since December 1999, and has conduct the ISO 14064-1 system in 2022, to ensure all environmental management policies are in conformity to environmental protection policy of the Company, the latest accreditation are as follows:</div> <div>• ISO 14001: Valid from September 2018 to October 2021.</div> <div>• ISO 14064-1: currently conduction accreditation, scope including Taichung Plant, Shalu Plant and Gang Shan Plant.</div>	No Significant Variation																				

Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-listed Companies" and Reasons
	Y	N	Abstract	
			The company's environmental management status and related data are publicly disclosed in the sustainability report and the company's website (http://www.aidc.com.tw/tw/cse)	
(II) Does the Company made effort to enhance the resources efficient use and used regenerated materials to mitigate the impact on the environment?	✓		<p>AIDC has dedicated in the development of environmentally friendly and formulate energy policies, promotes various energy conservation and carbon reduction measures as follows:</p> <ul style="list-style-type: none"> • Electricity intensity: the electricity intensity of FY 2022 reduce by 5% compare to the average electriy intensity of FY2019-2021. • Waste recycling rate: the waste recycling rate no lower than 35% in FY2022 • Green procurement: FY 2021 achieved 100% green purchase within the green purchase category. • Green energy: increase AIDC's green energy by installed solar-power generation facilities. In • Environmentally friendly processes: using non-toxic materials and reducing toxic waste produced from manufacturing process. 	No Significant Variation
(III) Does the Company assessed the potential current and future risks and opportunities from climate change for the Company, and has the Company taken measures to address climaterelated issues?	✓		<p>"ESG Promotion Committee" formulate medium and long-term sustainable development plans and provide ESG promotion consultation, and leads by Chairman Hu, with president, vice president, and directors of ESG related department as members. The identification, assessment and response planning of climate change is carried out by the "Carbon Neutrality unit" based on the framework of the TCFD proposal to analyze the company's governance, strategies, risk management, indicators and goals for climate-related risks and opportunities.</p> <p>The main risks identified by the company are environmental regulations (carbon fees/taxes), product replacement by low carbon products, cost of transition to a carbon neutral organization, supply chain disruption</p> <p>Corresponding to risk factors, the company identifies opportunities and countermeasures include developing green and energy products, implementing the company's carbon neutrality plan, gradually reducing carbon emissions from products and organizations, and promoting sustainable supply chains, etc.</p> <p>The information is also disclosed on the Company's website (http://www.aidc.com.tw/tw/cse/environment)</p>	No Significant Variation

Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM- listed Companies” and Reasons																																				
	Y	N	Abstract																																					
(IV) Does the Company compiled statistics on greenhouse gas emissions, water consumption, and total volume of waste materials for the past two years, and has the Company formulated policies for greenhouse gas reduction, water use reduction, and other waste management?	✓		<div>1. AIDC has conduit the GHG inventory and carbon emission by since 2012, and is currently carry out verification operations based on greenhouse gas inventory ISO 14064-1:2018 (activity data is 2021). Electricity in scope 2 is the main source of the company's greenhouse gases, accounting for more than 90% of the total greenhouse gases. The greenhouse gas emissions for the recent two years: <div>unit: ton</div><table><tr><td>Scope</td><td>2020</td><td>2021</td></tr><tr><td>Scope 1</td><td>1,353</td><td>912</td></tr><tr><td>Scope2</td><td>73,662</td><td>80,639</td></tr><tr><td>Total</td><td>75,015</td><td>81,551</td></tr></table>Note: the number above is collected from AIDC’s environment accounting system.</div> <div>2. Water consumption: AIDC’s water consumption is mainly from tap water, rainwater, groundwater, recycled water. In 2021, the Taichung plant (including the Shalu plant) mainly use tap water which account for 42% of the water resources; while tap water account for 100% in Gangshan plant. AIDC has installed Reverse Osmosis (ROR) wastewater storage tank to improve water recovery in manufacturing process. The water consumption for the recent two years: <div>unit: tons</div><table><tr><td>Plant</td><td>2020</td><td>2021</td></tr><tr><td>Taichung and Shalu</td><td>1,289,520</td><td>1,164,189</td></tr><tr><td>Gangshan</td><td>174,686</td><td>160,604</td></tr><tr><td>Total</td><td>1,464,206</td><td>1,324,793</td></tr></table></div> <div>3. Waste recycling: AIDC has formulated the "Regulations on the Operation of Industrial Waste" and conducts internal environmental audits to reduce environment impact. All plants have passed ISO14001 environmental management system verification in 2021. The Company also set up waste recycleing goal for FY 2022, which is no lower than 35%. The water for the recent two years: <div>unit: cubic metric tons</div><table><tr><td>Category</td><td>2020</td><td>2021</td></tr><tr><td>General waste</td><td>2,015.4</td><td>1,660.16</td></tr><tr><td>Hazardous waste</td><td>432.58</td><td>456.48</td></tr><tr><td>Total</td><td>2,447.98</td><td>2,116.64</td></tr></table></div> <div>4. The above information also disclosed in the ESG report at website http://www.aidc.com.tw/tw/cse/report</div>	Scope	2020	2021	Scope 1	1,353	912	Scope2	73,662	80,639	Total	75,015	81,551	Plant	2020	2021	Taichung and Shalu	1,289,520	1,164,189	Gangshan	174,686	160,604	Total	1,464,206	1,324,793	Category	2020	2021	General waste	2,015.4	1,660.16	Hazardous waste	432.58	456.48	Total	2,447.98	2,116.64	No Significant Variation
Scope	2020	2021																																						
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Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM- listed Companies” and Reasons														
	Y	N	Abstract															
IV. Social Issues (I) Does the Company established related management policy and procedure in accordance with applicable legal rules and international conventions on human rights?	✓		<p>AIDC will continue to enforce Labor Standards Act, Employment Service Act, Act of Gender Equality in Employment, and other applicable legal rules for the protection of the rights and privileges of the employees under law.</p> <p>AIDC continues to enforce Labor Standards Act, Employment Service Act, Act of Gender Equality in Employment and other applicable legal rules for the protection of the rights and privileges of the employees under law. In addition, AIDC has established different channels such as mailbox, hotline and regularly held labor-management meeting and welfare committee to facilitate communication between company and employees. With due consideration of the International Bill of Human Rights, The Global Compact, and Declaration of Fundamental Principles and Rights at Work by ILO, AIDC has formulated the Human Right Policy, the measures is elaborated below:</p> <p>1. Respect Diversity and equal job opportunities.</p> <p>2. Provide a safe and healthy working environment.</p> <p>3. Respect employees' freedom of assembly and association.</p> <p>4. Assist employees to stay healthy and maintain balance between work and life.</p> <p>5. Prohibit child labor and c</p> <p>AIDC’s implementation of human right policy</p> <table><tr><th>Policy</th><th>Implementation</th></tr><tr><td>Provide a safe and healthy working environment</td><td><ul style="list-style-type: none">• Conform regulations• Established health management system</td></tr><tr><td>Respect Diversity and equal job opportunities</td><td>Adopts Article 5 of the Employment Services Act</td></tr><tr><td>Prohibit child labor</td><td>AIDC didn’t hire any employees that is under 16 years old</td></tr><tr><td>Training on human right topics</td><td>Training topics including human right, sex-harassment prohibit, sex equality etc, which accounts for 6,792 hours as toall.</td></tr><tr><td>Prohibit forced labor.</td><td>Followed international regulation of human right and Article 5 of the Labor Standards Act.</td></tr><tr><td>ssist employees to stay healthy and maintain balance</td><td><ul style="list-style-type: none">• Provide employee assistance system (EAS)• Launched office</td></tr></table>	Policy	Implementation	Provide a safe and healthy working environment	<ul style="list-style-type: none">• Conform regulations• Established health management system	Respect Diversity and equal job opportunities	Adopts Article 5 of the Employment Services Act	Prohibit child labor	AIDC didn’t hire any employees that is under 16 years old	Training on human right topics	Training topics including human right, sex-harassment prohibit, sex equality etc, which accounts for 6,792 hours as toall.	Prohibit forced labor.	Followed international regulation of human right and Article 5 of the Labor Standards Act.	ssist employees to stay healthy and maintain balance	<ul style="list-style-type: none">• Provide employee assistance system (EAS)• Launched office	No Significant Variation
Policy	Implementation																	
Provide a safe and healthy working environment	<ul style="list-style-type: none">• Conform regulations• Established health management system																	
Respect Diversity and equal job opportunities	Adopts Article 5 of the Employment Services Act																	
Prohibit child labor	AIDC didn’t hire any employees that is under 16 years old																	
Training on human right topics	Training topics including human right, sex-harassment prohibit, sex equality etc, which accounts for 6,792 hours as toall.																	
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Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM- listed Companies” and Reasons
	Y	N	Abstract	
			<div>between work and life</div> <div>observers and caring program</div>	
(II) Does the Company established and implemented reasonable employee benefit measures (including compensation, leave, and other benefits), and are operational performance and results appropriately reflected in employee compensation?	✓		<p>1. The company regards employees as important assets and partners for sustainable growth. AIDC emphasizes on employees welfare, career cultivation, and gender equality; the salary, performance appraisal and promotion opportunities of employees are not different by gender. In 2021, female managers accounted for 19%, of which 2 are vice president (highest position). The Company has reached the goal of hiring disabilities in 2021 and was awarded “Excellent Enterprise of Hiring disabilities” from Kaohsiung City Government.</p> <p>2. AIDC aim to create a diverse and healthy Workplace, so that employees can not only focus on their work, but also maintain good health both physical and mental, and achieve work and life balance. More information of benefits measures please refer to chapter V on page 86 to 88, and the official website at http://www.aidc.com.tw/tw/cse/employee</p> <p>3. Pursuant to Article 28 of the Articles of Incorporation, in the event of earnings, not more than 0.58% EBT shall be set aside as remuneration to directors, while not less than 0.58% and not more than 4.65% as bonus of employees. In 2020, the employee compensation amounted to 18.8 million, which was reported to the shareholders' meeting on August 13, 2021, and was issued to employees on August 20, 2021.</p> <p>4. The Company has formulated “AIDC Operation Performance Bonus” based on regulation of “AIDC Employee Payroll Management Points” and “Payroll Management Operations Rules”, the bonus of employees is calculated accordingly. The principle of performance bonus issuance: (1) if the pre-tax profit of the current year is less than 1.5 billion yuan × 30%; (2) if the pre-tax profit of the current year is more than 1.5 billion yuan × 25%. The operation performance bonus of FY2020 has issued to employees on June 25, 2021.</p>	No Significant Variation

Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM- listed Companies” and Reasons
	Y	N	Abstract	
(III) Does the Company provided a safe and health work environment for the employees, and provided education on labor safety and health regularly?	✓		<p>1. AIDC has duly observed the laws and regulations governing health and safety promulgated by the government and provided the employees a healthy, safe, and clean work environment. AIDC implements safety and health management system and management plan, and has been certified by occupational safety and health management system ISO 45001, which valid till October 16, 2024.</p> <p>2. Labor safety and health Training in 2021:</p> <ul style="list-style-type: none"> • Safety and hygiene training courses: 6,262 persons attended • Fire drill training: 1,970 persons attended • Emergency practice: 1,970 persons attended • COVID-19 prevention measures: released 371 related information <p>3. In 2021, AIDC provided a general physical examination, which including carotid sonography to 4,746 employees, and special physical examination and follow-up checkup to employees engaged in special duties.</p> <p>4. In 2021, the incapacitating injury frequency of Taichung Plant (including Shalu) is 2.17, and that of Gang Shan Plant is 0.99. The number of occupational incidents are 102 people (including traffic, work and on-site traffic), accounting for 1.52% of the employees at the end of 2021. The incident of dust gas explosion on December 29, 2021, is currently under investigation, and the company will take measures to reinforce the safety working environment.</p> <ul style="list-style-type: none"> • Equipment management: Complete the regular inspection of various dangerous machinery and equipment, including 20 Stationary cranes tht above 3 tons, and 3 high pressure gas equipment. <p>5. On-site management: The working environment of dust, noise, carbon dioxide, organic solvents and specific chemical substances in each plant has examined by external organization which is approved by Labor Committee in 2021.</p>	No Significant Variation
(IV) Does the Company established the training program for the effective planning of career development for the employees?	✓		<p>AIDC reviews and trains competent people in key technical skills in accordance with the operation plan and development objective, and pools up reserve human resources in management in accordance with the “AIDC Guidelines for the Development and Use of Management Personnel”. In 2021, the Company held a senior executive</p>	No Significant Variation

Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM- listed Companies" and Reasons
	Y	N	Abstract	
			strategy consensus camp to discuss future strategic planning. In 2021, a total of 4,671 physical and online digital courses were held, with 187,882 participants and a total of 337,882 hours.	
(V) Does the Company comply with laws, regulations, and international standards when managing customer health and safety, customer privacy, and marketing and labeling of products and services and relevant issues? Does the Company established a policy and complaint procedure to protect consumer rights?	✓		AIDC is a manufacturer of aircrafts and related parts and components. Domestic marketing of these products must be in conformity to the requirements of the military of the ROC. For export sale marketing, products must be conforming to the accreditation standards of world-class aircrafts including D6-82479 of Boeing, AP2190 and GEAE S-1000 of Airbus, ASQR-01 of UTAC, SPOC, MITAC MRJ-SQC-01 of Honeywell, Alenia IAYC 05C, QPS100/200/300 of Bell, and QD 4.6-40 of Bombardier. Meanwhile, AIDC has explicitly stated the quality policy of "Comprehensive Quality Assurance and Continuous Customer Satisfaction", and provided e-mail, customer satisfaction survey, and customer visit and other channels for filing complaints. In addition, there is a 24-hour customer complaint response system in place to protect the rights of the customers. More information please refer to the official website at http://www.aidc.com.tw/tw/cse/client	No Significant Variation
(VI) Does the Company established a supplier management policy that requires suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights issues? Has the Company established an implementation method for such?	✓		1. The company has established "Supplier Management Regulation". In addition to important index such as quality and delivery, the supplier assessment and evaluation incorporates ESG related index such as ISO 14001 (Environmental Management) system), ISO 50001 (energy management system), ISO45001 (occupational safety and health management system) and other certifications that contribute to ESG, to encourage suppliers improve ESG management in their company. 2. The company continues to provide training courses to suppliers, including process improvement and refinement, etc., to assist suppliers to improve quality, engineering technology and management capabilities, thereby reducing costs and improving the competitiveness. 3. AIDC has conducted Environmental and Safety and Health Management Questionnaire via phone (due to the COVID-19, the onsite audit was canceled) 2021, and the suppliers maintain good performance.	No Significant Variation
V. Does the company refer to	✓		AIDC duly follows 2016 GRI Standard in the 2020	No Significant

Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-listed Companies" and Reasons
	Y	N	Abstract	
internationally standards/guidelines in the preparation of its reports, such as Sustainability Report, that disclose non-financial information? Has the Company obtained a third-party verification or assurance opinion on previously-disclosed reports?			CSR report and has accredited from SGS Taiwan Ltd on 1, June, 2021. More information please refer to the CSR report and the official website at http://www.aidc.com.tw/Content/File/csrreptw202010.pdf	Variation
<p>VI. If the company has its own sustainable development best practice principles formulated in accordance with the "Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the differences between its operations and the said principles:</p> <p>AIDC has established the "AIDC Corporate Social Responsibility Best Practice Principles" (http://www.aidc.com.tw/Content/File/2634_SOP_CSR_AR019.pdf), and is renamed as "AIDC Sustainable Development Best Practice Principles" and will submit to board of directors for review in May, 2022, which is not significantly varied with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies".</p> <p>VII. Other important information for the understanding of the Company's promotion/implementation of sustainable development:</p> <ol style="list-style-type: none"> 1. For better care of the employees and the stability of Company's operation, in consideration of the business status and financial concern, AIDC launched the "employee stock ownership trust" program in Sept. 2016. Employees are free to join the program and determine the dollar amount they want to invest; the Company shall in return provide subsidy by a fixed ratio based on the investment of each employee. Participation of employees is growing. 2. The company utilized its flight engineering resources and self-modified aircraft to enable DOTSTAR program which assess typhoon atmospheric information. After several academic researches and execution, the result shows the prediction on typhoon' intensity and path is significantly improved and accurate. AIDC has carried out 2 observational study of typhoon Canshu and typhoon Yuangui in 2021. 3. To support Government's New Southbound Policy, AIDC vigorously expanded international medical collaboration with South Asia countries, and completed 18 rescue missions in Cambodia and Malaysia respectively. From June 2013 to the end of 2021, an extension to 44 overseas destinations and 129 cases of successful transport were achieved. In 2021, the company still completed the "Hanxiang Airlines Emergency Medical Plan of COVID-19 Prevention and Health Control Plan" and reported it to the Civil Aviation Administration, in wish to carry out the international emergency medical rescue safely. 4. Through AIDC Volunteer Group AIDC continued to provide volunteer service and to support government agencies and the disadvantaged groups at social welfare activities. In 2021, AIDC volunteers organized 3 charity activities with 118 person-times providing volunteer service to 6 organizations; co-organized 20 charity activities with 771 person-times providing volunteer service to 29 organizations. In addition, promotion of charity activities was made through network and by volunteers to encourage donation of money and goods as well as to render assistance to the operation of the disadvantaged groups. 5. To provide the local students opportunity to be familiarized with AIDC's effort and intention to improve local educational level and to fulfill corporate social responsibility, AIDC organized corporate visiting for 1 rural elementary school and 1 junior high school in Taichung in 2020, through "Aviation Technology" activity to providing students with knowledge in aerospace industry. 6. Through the year-end employee donation activity AIDC continued to deliver warmth to the disadvantaged group.. The donation was divided and delivered to 4 social welfare organizations, namely TSZ-AI intelligence in Taichung Catholic Develops Center, Abundant Blessing Community Association, Kaohsiung Autism Foundation-Autism Homeland, and exist for love association. 7. AIDC continued to promote volunteer service, encouraged employees' participation in social welfare groups; 				

Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM- listed Companies” and Reasons
	Y	N	Abstract	
<p>moreover, employees initiated and formed the “Gang Shan Volunteer Team” to provide welfare services such as wetland conservation, the elderly, after-school tutorial service, and was Awarded the “Enterprise Volunteer Team” from Kaohsiung City Government in Dec. 2021.</p> <p>In the area of “environment protection”:</p> <p>1. To fulfill environmental and corporate social responsibility, AIDC has conduct measures including source control, waste reduction and reuse, clean production, green procurement, air pollution prevention, waste (pollutant) water treatment, waste resource, toxic chemical substances substitutes and etc. Our effort in promoting energy saving and carbon reduction, resource recycling, environmental education, social participation, and green procurement, have been recognized by the government and won several honor such as "Third National Enterprise Environmental Protection Award” by Environment Protection Agency, the "Honorary Environmental Protection Award".</p> <p>2. The company is committed to energy saving and carbon reduction related actions. The implementation of greenhouse gas reduction has been recognized by the Kaohsiung City Government' and awarded "Excellent Sustainable Environment" in 2021</p>				

4.7 Ethical Corporate Management Implementation Status and Deviations from “the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”

Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-listed Companies” and Reasons
	Y	N	Abstract	
I. Establishment of ethical corporate management policies and programs				
(I) Does the company formulate ethical corporate management policy that approved by the board of directors, and declare its policies and procedures in its guidelines and external documents, as well as the commitment from its board and top executives to implement the policies?	✓		For the effective pursuit of the policy of ethical corporate management for the Directors and all corporate management personnel, AIDC has established the “AIDC Ethical Corporate Management Best Practice Principles”, the “AIDC Management Personnel Code of Conduct”, and the “AIDC Guidelines for Management of Materiality and Prevention of Insider Trade” and approved by the Board. The Chairman and President of AIDC have also explicitly declared and signed the ethical corporate management policy in the Chinese and English versions, and posted the policy in the intranet and official website of AIDC. (http://www.aidc.com.tw/tw/about/ethical)	No Significant Variation
(II) Does the company established an evaluation mechanism to assess the unethical conducts risk, and regularly analyzes and evaluates business activities with high-potential unethical conducts, and formulates a precaution plan which at least covered listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		AIDC has established the “AIDC Ethical Corporate Management Best Practice Principles” to assess the unethical conducts risk, and regularly evaluates business activities with high-potential unethical conducts and formulates precaution plan. For instance, AIDC will dispatch designated personnel to supervise the procurement in excess of 1/10 of the amount required for announcement and conduct audit on the purchase. In addition, AIDC also conducts questionnaire survey and visits for the prevention of corruption. For business entailing high risks of unethical practice, AIDC conducts investigation on possible areas of trouble. For donation, the security function will review if it is in compliance with applicable laws.	No Significant Variation

Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM- listed Companies” and Reasons
	Y	N	Abstract	
(III) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, the commitment to implement the policies, and review the policy regularly?	✓		To prevent unethical conduct, the company has formulated relevant procedures, guidelines of conduct, punishment for violation and rules of appeal. The implementation of AIDC ethical corporate management is disclosed on official website at http://www.aidc.com.tw/tw/about/ethical	No Significant Variation
II. (I) Fulfill operations integrity policy Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	✓		AIDC highly treasures business integrity, and has explicitly stated in all business contracts that no offering of commission, undue donations and gifts and invitation to offering will be permitted. In addition, AIDC also restricts unethical suppliers to participate in the bidding for procurement with AIDC. The Company’s Supplier Code of Conduct is disclosed at website http://www.aidc.com.tw/Content/File/inde_supplier.pdf	No Significant Variation
(II) Does the company establish an exclusively dedicated unit supervised by the Board to be in charge of corporate integrity, and regularly (at least once a year) report to the Board about the implementation of ethical corporate management policy and the plan against unethical conducts?	✓		AIDC has established the Ethics & Security Division directly supervised by the Chairman. This body is responsible for the advocacy of business integrity and the code of conduct of the employees, and it has reported the status of enforcement to the Board on a quarterly basis (at least 4 times a year) and report of which was published at its official website at: http://www.aidc.com.tw/tw/about/ethical .	No Significant Variation
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		The Security Division of AIDC has established policies to prevent conflicts of interest, the related regulation are as follow: <ul style="list-style-type: none"> ● Article 16 of “AIDC Ethical Corporate Management Best Practice Principles” ● Article 4 of “AIDC Codes of Ethical Conduct” ● Article 24 of “AIDC Working rules of Practitioner” ● Subparagraph4, paragraph 4, article 4 of “Regulation Governing Employee’s Position Transfer” ● Subparagraph 1, paragraph 1, article 3 of “Codes of Conducts on Procurement” ● Paragraph 6 of article 6 of “Procurement Regulation” The Security Division also visits HR and Procurement functions of AIDC at regular intervals for the education of the avoidance of the conflict of interest and conduct self-review questionnaire.	No Significant Variation

Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM- listed Companies” and Reasons
	Y	N	Abstract	
(IV) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and audit the implementation of policies of preventing unethical conduct, either by internal auditors or CPAs on a regular basis?	✓		AIDC has established an accounting system and internal control system, also formulated the “Codes of Ethical Conduct” and the “Ethical Corporate Management Best Practice Principles” for the realization of ethical corporate management. Relevant departments have performed their duties in compliance with the aforementioned systems. The annual audit plan is formulate based on the results of risk assessment and approved by the Board. Auditing unit conduct the audit the internal control operations and provides provide sound recommendation to ensure legality and security.	No Significant Variation
(V) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		<p>The Ethic & Security Dept. has conducted the followings in 2021.</p> <ol style="list-style-type: none"> 1. Completed the signing of “AIDC Employee Code of Conduct”, and signed by 100% employees. 2. Provided advocacy material of business integrity to the board of directors and monthly managing meeting; updated the status of enforcement on official website at: http://www.aidc.com.tw/tw/about/ethical on a quarterly basis. 3. To assist new employees to adapt to the working environment and comply with the ethical business conduct, the Division has held 44 lectures on ethics and security with 494 person-times. 4. Registered 76 cases of bestow gifts abide by “AIDC Employee Code of Conduct”. 	No Significant Variation

Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM- listed Companies” and Reasons
	Y	N	Abstract	
III. Operation of the integrity channel (I) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		According guidelines for releasing prizes and bonus, the person in charge of related operation can release a prize as encouragement for the person under relevant. External parties who reported on unethical practice of the employees will also be rewarded. AIDC has appointed designated personnel to answer to reporting on unethical practice. The contact information also posted at official website, and as follow: Contact: Head of Ethics Team, Ethics & Security Division. Email: clean@ms.aidc.com.tw Tel: 04-11742373	No Significant Variation
(II) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases and measures for follow-up?	✓		The investigation on report of unethical practices in AIDC is akin to the practices in the Criminal Litigation Act whereby the principle of confidentiality and no disclosure is in effect. All participants in the investigations are required to keep strict confidence and protect human rights in the entire investigation. After investigation, Ethics & Security Division will evaluate the needs to incorporate precaution measures into the management to prevent recurrence.	Significant Variation
(III) Does the company provide proper whistleblower protection?	✓		AIDC promises to protect the informants and guarantees no revenge will result due to the report on unethical practices by the informants. Such commitment is posted at the official website, all plant sites, and offices of AIDC.	No Significant Variation
IV. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	✓		AIDC has posted the content of its Ethical Corporate Management Best Practice Principles and Employee Code of Conduct at its official website and MOPS, and provide education on related rules and regulation at any time as needed.	No Significant Variation
V. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: There have been no differences.				
VI. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies): AIDC pronounced its policy of business integrity and anti-corruption policy in the annual suppliers’ conference				

Item	Implementation Status			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM- listed Companies” and Reasons
	Y	N	Abstract	
and explicitly declares no acceptance of offering and gifts. In addition, AIDC has also provided the telephone for reporting on unethical practices at 04-2284 2373 and e-mail at peterwei@ms.aidc.com.tw . The suppliers can report on any illegal practices with evidence. AIDC will keep the identity of the informant in strict confidence.				

4.8 If the Company has established corporate governance and related code, disclose the

means of inquiry: AIDC has installed the “Corporate Governance Regulations”, at the official website at <http://www.aidc.com.tw/tw/investor/governance/regulation> for disclosure of related rules and regulations of corporate governance, and the implementation status can be found on “Corporate Governance” zone (<http://www.aidc.com.tw/tw/investor/governance>).

4.9 Other Vital Information that Helps to Understand the Practice of Corporate Governance

Better: AIDC has installed the “Investor” zone at the official website at <http://www.aidc.com.tw/tw/investor> for disclosure of vital information.

4.10 The Pursuit of the Internal Control System:

Aerospace Industry Development Corporation
Statement of Declaration on Internal Control

Date: March 28, 2022

Aerospace Industry Development Corporation has conducted internal audit in accordance with its Internal Control Regulation covering the period from January 1 to December 31, 2021, and hereby declares as follows:

- I. The Company acknowledges and understands that the establishment, enforcement and preservation of internal control system is the responsibility of the Board and the managers, and that the Company has already established such system. The purpose is to reasonably ensure the effect and efficiency of operation (including profitability, performance and security of assets), the reliability of financial reporting and the compliance with relevant legal rules.
- II. There is limitation inherent to internal control system, no matter how perfect the design. As such, effective internal control system may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls system. The internal control system of the Company features the self-monitoring mechanism. Once identified, any shortcoming will be corrected immediately.
- III. The Company judges the effectiveness of the internal control system in design and enforcement in accordance with the "Criteria for the Establishment of Internal Control System of Public Offering Companies" (hereinafter referred to as "the Criteria"). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control system. There are five components of effective internal control as specified in the Criteria with which the procedure for effective internal control is composed by five elements, namely, 1. Control Environment, 2. Risk Evaluation, 3. Control Operation, 4. Information and Communication, and 5. Monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the Criteria for detail.
- IV. The Company has adopted the aforementioned internal control system for internal audit on the effectiveness of the design and enforcement of the internal control system.
- V. Basing on the aforementioned audit findings, the Company holds that has reasonably preserved the achievement of the aforementioned goals within the aforementioned period of internal control (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant legal rules, and that the design and enforcement of internal control are effective.
- VI. This statement of declaration shall form an integral part of the annual report and prospectus on the Company and will be announced. If there is any fraud, concealment and unlawful practice discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
- VII. This statement of declaration has been approved by the Board on March 28, 2022 with the presence of 11 directors in common consent.

Chairman: Hu, Kai-Hung
President: Ma, Wan-June

漢翔航空工業股份有限公司
內部控制制度聲明書

日期：111年3月28日

本公司民國110年度之內部控制制度，依據自行評估的結果，謹聲明如下：

- 一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度，其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導具可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標的達成，提供合理的確保。
- 二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保，而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。
- 三、本公司係依據「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1. 控制環境，2. 風險評估，3. 控制作業，4. 資訊與溝通，及5. 監督作業。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。
- 四、本公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。
- 五、本公司基於前項評估結果，認為本公司於民國110年12月31日的內部控制制度(含對子公司之監督與管理)，包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。
- 六、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。
- 七、本聲明書業經本公司民國111年3月28日董事會通過，出席董事11人中，有0人持反對意見，餘均同意本聲明書之內容，併此聲明。

漢翔航空工業股份有限公司

董事長：胡開宏

總經理：馬萬鈞

4.11 The Penalty on AIDC and its Internal Personnel, the Penalty of AIDC Personnel for Violation of the Internal Control System, Major Shortcomings and the Status of Corrective Action:

The incident of dust gas explosion at the Benchwork Shop in Taichung plant on Dec. 29, 2021, is under investigation by authority, the Company will take corresponding measures.

4.12 Major Resolutions of the General Meetings of Shareholders and the Board in the Previous Period to the Date this Report was Printed

4.12.1 2021 Major Resolutions of Shareholders' Meeting and Implementation Status

1. The 2020 Business report and financial report.
2. The distribution of Earnings for FY 2020
Implementation Status: Authorized by the BOD, Chairman set Sep. 11, 2021 as the ex-dividend record date, and a cash dividend of NT\$0.2 per share, which made up the total of NT\$188,373,420 was to be distributed by Sep. 30, 2021.
3. The proposal for amending Articles of Charter was approved.
Implementation Status: As per Approval Letter Jin Shang-Zi No.11001152230 issued by the Ministry of Economic Affairs on Sep. 14, 2021, the amendment of Articles of Charter was registered and disclosed on the Company's website.

4.12.2 2020-2021 Major Resolutions of Board of Directors' Meetings

Date	Session	Motions
February 26, 2021	The 17 th session of the 8 th term of the Board	<ul style="list-style-type: none"> • The re-election of the 9th term of the Board • Lift the ban of non-compete on directors and their representatives elected to the new term of office • Calling for the regular session of the General Meeting in FY 2021
March 26, 2021	The 18 th session of the 8 th term of the Board	<ul style="list-style-type: none"> • Business Report for FY 2020 • Allocation amount of remuneration to employees and directors for FY 2020 • Financial Report for FY 2020 • Distribution of earnings for FY 2020 • Declaration of Internal Control for FY 2020 • Amendment to AIDC Corporate Charter (Articles of Incorporation) • Bonus of Chairman, President, Vice Presidents and managerial officers concerned for FY 2020 • Principles for bonus of Chairman, President, Vice Presidents and managerial officers concerned for FY 2021 • AIDC 2021 Unsecured Corporate Bond Issue • Change of external auditor
April 14, 2021	The 6 th special session of the 8 th term of the Board	<ul style="list-style-type: none"> • Qualification review of directors and independent director nominees by shareholders • Lift the ban of non-compete on the director nominees for the 9th term
May 7, 2021	The 19 th session of the 8 th term of the Board	<ul style="list-style-type: none"> • Amendment to the "Rules Governing Financial and Business Matters Between AIDC and its Affiliated Enterprises"
July 20, 2021	The 7 th special session of the 8 th term of the Board	<ul style="list-style-type: none"> • Calling for the regular session of the General Meeting in FY 2021 (note: Change the date and location of General Meeting accordingly to the instruction for Financial supervisory commission, in corresponding to outbreak of COVID-19)
August 6, 2021	The 20 th session of the 8 th term of the Board	<ul style="list-style-type: none"> • Amendment to the "AIDC Information & Communication Security Committee Charter" • Amendment to the "AIDC Corporate Governance Principle"

October 16, 2020	The 15 th session of the 8 th term of the Board	<ul style="list-style-type: none"> Internal Audit Plan for FY 2021 The disposition of rear fuselage in commercial aviation project
August 13, 2021	The 1 st special session of the 9 th term of the Board	<ul style="list-style-type: none"> The election of 9th term of Executive Director of the Board The election of AIDC Chairman
November 5, 2021	The 1 st session of the 9 th term of the Board	<ul style="list-style-type: none"> Discharge and appointment of AIDC vice president Appointment of Remuneration Committee members (the 9th term of the Board) Appointment of Information & Communication Security Committee members (the 9th term of the Board) The scrapped of sentry at Shalu plant AIDC 2021 Unsecured Corporate Bond issue Internal Audit Plan for FY2022
December 17, 2021	The 2 nd session of the 9 th term of the Board	<ul style="list-style-type: none"> Business Plan for FY 2022
January 21, 2022	The 3 rd session of the 9 th term of the Board	<ul style="list-style-type: none"> Calling for the regular session of the General Meeting in FY 2022
March 28, 2022	The 4 th session of the 9 th term of the Board	<ul style="list-style-type: none"> Business Report for FY 2021 Allocation amount of remuneration to employees and directors for FY 2021 Financial Report for FY 2021 Distribution of earnings for FY 2021 Declaration of Internal Control for FY 2021 Amendment to AIDC Corporate Charter (Articles of Incorporation) Amendment to AIDC' General Meeting Agenda for FY2022 Calling for the regular session of the General Meeting supported by video Bonus of Chairman, President, Vice Presidents and managerial officers concerned for FY 2021 Principles for bonus of Chairman, President, Vice Presidents and managerial officers concerned for FY 2022 Amendment to the "AIDC Supervision and Management of its Subsidiaries"

Note: For details, please refer to the BOD motions and Company's disposition of independent directors' comments.

4.13 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

4.14 Resignation or Discharge of Chairman, President, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Officer and R&D: None.

5. Information Regarding Independent Auditors

5.1 Audit Fees

Brackets of the Service Charge for the Certified Public Accountants

Unit: NT\$ thousand

Accounting Firm	Names of CPAs	Duration of Audit	Auditing fee	Non-Auditing fee	Total	Remarks
Deloitte & Touche	Lie-Dong Wu Ting-Chien Su	2021	2,769	1,166	3,935	1. Change of CPA due to the internal rotation of duties of the CPA firm 2. Non-auditing fee: (1) Certification of Project

						financial statements amounted to NT\$204,000
						(2) Audit of business tax report amounted to NT\$759,000
						(3) Certification of transfer pricing report amounted to NT\$145,000
						(4) Secondary reviews of salary of full-time employees information amounted to NT\$58,000

5.2 Change in the CPA Firm and the Service Charge for Auditing Spent in the Year of Change was Less than that in the Same Period of the Previous Year: None.

5.3 In the Event that the Service Charge for Auditing Falls by 10% of more than the Same Period of the Previous Year, Disclose the Amount Change, the Proportion of Change, and the Causes: None.

6. Information on Change in External Auditors: Due to internal rotation of duties within the CPA firm, Deloitte & Touche, Lie-Dong Wu and Done-Yuin Tseng were assigned as external auditors effective 2021.

6.1 Information relating to the former auditor

Replacement date	c		
Reason for reappointment	Due to internal rotation of duties within the CPA firm, Deloitte & Touche, Lie-Dong Wu and Ting-Chien Su were assigned as external auditors effective 2021.		
Whether the termination of audit service was initiated by the client or by the auditor	Parties		
	Situation	Auditor	Client
	Termination initiated by principal	Not Applicable	Not Applicable
	Service no longer provided by the CPA	Not Applicable	Not Applicable
Opinions other than unqualified opinions issued in the last two years, and the root cause	None.		
Any disagreement with the issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or steps
			Others
	None	V	
	Description		
Supplementary disclosure (Disclosures deemed necessary under Note 4 to Note 7, Item 1, Subparagraph 6, Article 10 of The Guidelines)	None.		

6.2 Information relating to the succeeding auditor

Name of accounting firm	Deloitte & Touche
--------------------------------	-------------------

Name of auditor	Lie-Dong Wu and Ting-Chien Su
Date of appointment	The resolution of the 18 th session of the 8 th term of the Board, on March 26, 2021
Inquiries and replies regarding accounting practices or principles on certain transactions, or any audit opinions the auditors were likely to issue on the financial reports prior to reappointment	None.
Written disagreements from the succeeding auditor against opinions of the former auditor	None.

6.3 Former auditor's reply to Item 1 and Item 2-3, Subparagraph 6, Article 10 of the Guidelines:

None.

7. AIDC's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations hold any positions within AIDC's independent audit firm or its affiliates during 2021: None.

8. Net Change in Shareholding and Shares Pledged by Directors, Supervisors, Managers and Shareholders with 10% Shareholdings or More:

8.1 Transfer and pledge of shares owned by directors and managers

Unit: shares; %

Title	Name	2021		Year-to-date as at March 31, 2022	
		Increased (decreased) in shares held	Increased (decreased) in shares pledged	Increased (decreased) in shares held	Increased (decreased) in shares pledged
Juristic-person Director (major shareholder)	MOEA	0	0	0	0
	Representative: Hu, Kai-Hung	40,000	0	0	0
	Representative: Ma, Wan-June	0	0	0	0
	Representative: Liou, Ming-Jong	0	0	0	0
	Representative: Chang, Ming-Pin	0	0	0	0
	Representative: Shieu, Fuh-Sheng	0	0	0	0
	Representative: Hsiao, Mu-Lai (note 1)	10,028	0	0	0
	Representative: Lee, Ming-Li (note 1)	52	0	0	0
Juristic-person Director	National Defense Industrial Development Foundation	0	0	0	0
	Representative: Mei, Chia-Shu (note 1)	0	0	0	0
Executive and Independent Director	Chan, Chia-Chang	0	0	0	0
Independent Director	Chen, Yin-Chin	0	0	0	0

Title	Name	2021		Year-to-date as at March 31, 2022	
		Increased (decreased) in shares held	Increased (decreased) in shares pledged	Increased (decreased) in shares held	Increased (decreased) in shares pledged
Independent Director	Li-Jen Lien	0	0	0	0
President	Ma, Wan-June	0	0	0	0
Vice President	Du, Shiu-Chun	0	0	0	0
Vice President	Lo, Ching-Chi	0	0	0	0
Vice President	Huang, Shu-Yuan	0	0	0	0
Vice President	Chuang, Jennifer	0	0	0	0
Vice President	Tseng, Kuo-Yi (Note 2)	76,367	0	0	0
Chief Audit Executive	Lin, Fu-Ji	0	0	0	0
Director, Finance & Accounting	Huang, Hsiu-Yen (Note 3)	0	0	0	0
R&D Officer	Wu, Tian-Sheng	(24,000)	0	0	0
Corporate Governance Officer	Chen, Zong-Hong	0	0	0	0

Note 1: AIDC has elected the 9th Board of Directors during Annual Shareholders' Meeting on Aug. 13, 2021.

NDIDF representative changes: Mei, Chia-Shu replaced Hsu, Yan-Pu on Sep. 16, 2021.

MOEA representative changes: Hsiao, Mu-Lai replaced Yu, Cheng-Tao on Dec. 23, 2021.

Note 2: Mr. Tseng, Kuo-Yi was appointed as vice president effective Nov. 5, 2021

Note 3: Ms. Huang, Hsiu-Yen is in charge of both Finance and Accounting.

Note 4: Information on change in shares held by the abovementioned persons is based on their tenure and the total shares owned by the persons, their spouses and children of minor age.

8.2 Disclosure of share transfer or collateralization where the counterparty is a related party:

None.

8.3 Pledge of shares where the counterparty is a related party: None.

9. Related Party Relationship among AIDC's 10 Largest Shareholders:

As of Sep. 7, 2021 (note 2)/ Unit: shares; %

Name	Current Shareholding		Spouse & Minor Shareholding		AIDC Shareholding by Nominee Arrangement		Name and Relationship between AIDC's Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
MOEA	331,301,773	35.17% (note 1)	N/A	N/A	-	-	-	-	
Representative: Hu, Kai-Hung	70,000	0.007%	-	-	-	-	-	-	
Representative: Ma, Wan-June	-	-	-	-	-	-	-	-	
Representative: Chang, Ming-Pin	-	-	-	-	-	-	-	-	

Name	Current Shareholding		Spouse & Minor Shareholding		AIDC Shareholding by Nominee Arrangement		Name and Relationship between AIDC's Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Representative: Shieu, Fuh-Sheng	-	-	-	-	-	-	-	-	
Representative: Liou, Ming-Jong	-	-	-	-	-	-	-	-	
Representative: Yu, Cheng-Tao	107,205	0.01%	-	-	-	-	-	-	
Representative: Lee, Ming-Li	52	0.00%					-	-	
Fubon Life Insurance Co., Ltd.	43,570,100	4.63%	N/A	N/A	-	-	-	-	
Responsible person: Tsai, Ming-Hsing	-	-	-	-	-	-	-	-	
Taipei Fubon Commercial Bank Co., Ltd. Trust Account	30,918,170	3.28%	N/A	N/A	-	-	N/A	N/A	
The New Labor Pension Fund	26,995,081	2.87%	N/A	N/A	-	-	N/A	N/A	
The Labor Insurance Fund	22,878,973	2.43%	N/A	N/A	-	-	N/A	N/A	
National Pension Insurance Fund	16,287,234	1.73%	N/A	N/A	-	-	N/A	N/A	
National Defense Industrial Development Foundation	11,063,201	1.17%	N/A	N/A	-	-	N/A	N/A	
Representative: Mei, Chia-Shu	-	-	-	-	-	-	-	-	
TransGlobe Life Insurance Inc.	8,571,620	0.91%	N/A	N/A	-	-	-	-	
Representative: Peng, teng-de	-	-	-	-	-	-	-	-	
Far Glory Life Insurance Co Ltd	6,199,000	0.66%	N/A	N/A	-	-	-	-	
Representative: Roy Meng	-	-	-	-	-	-	-	-	
Weltrend Semiconductor, Inc.	5,622,000	0.60%	N/A	N/A	-	-	-	-	
Representative: Sam Lin	-	-	-	-	-	-	-	-	

Note 1: The Ministry of Economic Affairs holds a shareholding ratio of 35.175%, which is 35.17% after rounding down.

Note 2: the record date

10. Proportion of Overall Shareholding:

As of December 31, 2021/Unit: thousand shares; %

Direct Investment	Ownership by AIDC		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
	Thousand Shares	%	Thousand Shares	%	Thousand Shares	%
AIDC USA LLC	(Note 1)	100.00	—	—	(Note 1)	100.00
Jung Sheng Precision Ind. Co., Ltd.	5,000	31.25			5,000	31.25
AeroVision Avionics Inc.	4,968	13.09	—	—	4,968	13.09
Metro Consulting Service Ltd.	300	6.00	—	—	300	6.00
UHT Unitech Co., Ltd.	1,100	2.94	—	—	1,100	2.94

Note 1 : A limited liability company without issuing shares. No information on quantity of shares is applicable.

IV. Raising of Capital

1. Capital and Shares

1.1 Source of Capital

March 31, 2022 / Unit: shares; NT\$

Month / Year	Issue Price (Per Share)	Authorized Share Capital		Capital Stock		Remarks		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increase by Assets Other than Cash	Others
June 1996	10	1,500,000,000	15,000,000,000	905,591,351	9,055,913,507	Valuation in Cash and Assets	6,527,455,995	Note 1
June 1999	10	1,500,000,000	15,000,000,000	908,261,429	9,082,614,287	Offset by Rights to Debt	26,700,780	Note 2
January 2000	10	1,500,000,000	15,000,000,000	908,261,428	9,082,614,280	Writing Less		Note 3
August 2017	10	1,500,000,000	15,000,000,000	941,867,101	9,418,671,010	Capitalization of Retained Earnings		Note 4

Note 1: As per Approval Letter Jin (85) Shang-Zi No. 109686 issued by the Executive Yuan on June 24, 1996, the Ministry of National Defense was approved to assign assets amounted to NT\$ 9,055,913,447 as equity for investment for the establishment of Aerospace Industry Development Corp. together with the investment of six other companies, including Taiwan Power Corporation, a subsidiary of the Ministry of Economic Affairs, amounted to NT\$ 10, which made up the total of NT\$ 9,055,913,507. Of the pool of investment, non-cash assets amounted to NT\$ 6,527,455,995 were allocated, including fixed assets amounted to NT\$ 6,526,751,995 and long-term investment amounted to NT\$ 704,000.

Note 2: As per Approval Letter Jin (88) Shang-Zi No. 088118904, right to debt is permitted to offset the payment on the basis of the written instruction of the Executive Yuan on June 1, 1999, that supports the National Defense Industry Development Fund for the former Aerospace Industry Development Center under the Ministry of National Defense in the purchase of machinery and tools had residual value of NT\$ 26,700,780, and shall be allocated as capital stock for AIDC in the budgeting procedure.

Note 3: As per Approval Letter Jin (089) Shang-Zi No. 089102830 dated January 28, 2000, capital stocks amounted to NT\$ 9,082,614,287 were approved for registration of writing less as NT\$9,082,614,280 in 2000, due to the NT\$7 is less than the value of 1 share.

Note 4: As per Approval Letter Jin-Shou-Shang-Zi No. 10601116580 dated August 24, 2017, capitalization of retained earnings was duly approved.

March 31, 2022/Unit: shares

Type of Stock	Authorized Share Capital		
	Issued Shares	Unissued Shares	Total
Common Stock	941,867,101	558,132,899	1,500,000,000

1.2 Composition of Shareholders

Common Share

As of Sep. 7, 2021 (Last Record Date) / Units : person; shares; %

Type of Shareholders	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	10	111	48,471	90	48,683
Shareholding	331,301,773	59,754,220	127,576,212	400,760,366	22,474,530	941,867,101
Holding Percentage (%)	35.17% (note)	6.34%	13.55%	42.55%	2.39%	100.00%

Note: The Ministry of Economic Affairs holds a shareholding ratio of 35.175%, which is 35.17% after round down.

1.3 Distribution Profile of Share Ownership

As of Sep. 7, 2021 (Last Record Date)

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership (Unit: Share)	Ownership (%)
1-999	7,004	941,369	0.10%
1,000-5,000	29,570	61,163,437	6.49%
5,001-10,000	5,232	40,748,294	4.33%
10,001-15,000	1,824	22,522,467	2.39%
15,001-20,000	1,101	20,231,589	2.15%
20,001-30,000	1,146	28,984,579	3.08%
30,001-40,000	566	20,135,324	2.14%
40,001-50,000	469	21,509,843	2.28%
50,001-100,000	1,052	76,416,231	8.11%
100,001-200,000	564	69,316,367	7.36%
200,001-400,000	97	25,852,526	2.74%
400,001-600,000	22	10,670,906	1.13%
600,001-800,000	8	5,693,424	0.60%
800,001-1,000,000	3	2,840,000	0.30%
Over 1,000,001	25	534,840,745	56.79%
Total	48,683	941,867,101	100.00%

Note: The Ministry of Economic Affairs holds a shareholding ratio of 35.175%, which is 35.18% after rounding.

1.4 Major Shareholders

Names, quantity and proportion of shareholding by shareholders holding more than 5% of the shares or the top 10 shareholders by proportion of shareholding:

Common Share

As of Sep. 7, 2021 (Last Record Date)

Shareholders	Total Shares Owned	Ownership (%)
MOEA	331,301,773	35.17%
Fubon Life Insurance Co., Ltd.	43,570,100	4.63%
Taipei Fubon Commercial Bank Co., Ltd. Trust Account	30,918,170	3.28%
The New Labor Pension Fund	26,995,081	2.87%
The Labor Insurance Fund	22,878,973	2.43%

Shareholders	Total Shares Owned	Ownership (%)
National Pension Insurance Fund	16,287,234	1.73%
National Defense Industrial Development Foundation	11,063,201	1.17%
TransGlobe Life Insurance Inc.	8,571,620	0.91%
Far Glory Life Insurance Co Ltd	6,199,000	0.66%
Weltrend Semiconductor, Inc.	5,622,000	0.60%

Note: The Ministry of Economic Affairs holds a shareholding ratio of 35.175%, which is 35.17% after rounding down.

1.5 Net Worth, Earnings, Dividends, and Market Price Per Common Share

Units : NT\$ dollar/shares

Item		2020	2021	Q1 2022
Market Price Per Share (Note 1)	Highest	36.70	32.10	31.15
	Lowest	24.90	25.45	28.60
	Average	29.17	28.84	29.61
Net Worth Per Share (Note 2)	Before Distribution	14.83	15.21	(Note 8)
	After Distribution	14.63	14.86 (Note 7)	(Note 8)
Earnings Per Share	Weighted Average Shares (thousand shares)	941,867	941,867	(Note 8)
	Earnings Per Share (Note 3)	0.42	0.59	(Note 8)
Dividends Per Share	Cash Dividends		0.20	0.35 (Note 7)
	Stock dividend	—	—	—
		—	—	—
	Accumulated Undistributed Dividend		—	—
Return on Investment	Price/Earnings Ratio (Note 4)		69.45	48.88
	Price/Dividend Ratio (Note 5)		145.85	82.40 (Note 7)
	Cash Dividend Yield (Note 6)		0.69%	1.21 % (Note 7)

Note 1: The highest and lowest market price per common share in respective years; and the annual average market price is calculated based on the annual trading value.

Note 2: Use the outstanding shares at the end of the year as the basis, fill in resolution of distribution in the Shareholders' Meeting next year.

Note 3: As the earnings per share is subject to retroactive adjustment due to stock dividend distribution, specify the value before and after the adjustment.

Note 4: Price/Earnings Ratio = Average Market Price/Diluted Earnings Per Share

Note 5: Price/Dividend Ratio = Average Market Price/Cash Dividends Per Share

Note 6: Cash Dividend Yield = Cash Dividends Per Share/ Average Market Price

Note 7: Proposal for distribution of retained earnings of FY 2019 is pending resolution of the Shareholders' Meeting.

Note 8: Up to the date of printing of this annual report financial statement of Q1 of 2020 has not been audited by the CPA, therefore it is not disclosed here. Net value per share after distribution = (equity - cash dividend) / outstanding shares.

1.6 Dividend Policy of the Company and the Implementation

1.6.1 Dividend Policy of the Company

- (1) On allocating the annual earnings, the Company shall first pay the income tax, offset the losses of previous years, set aside 10% as a legal reserve except that the legal reserve has equaled the total

capital of the Company; then set aside a special reserve in accordance with relevant laws or regulations. The residual earnings will be appropriated according to the following principles per resolution in the shareholders' meeting:

- A. Profits may be distributed by taking financial, business, operational, or other related factors into consideration.
 - B. Distribution of profits may be made by way of cash dividend and/or stock dividend. Since the Company is in a capital-intensive industry, distribution of profits may be made preferably by way of cash dividend or stock dividend, provided however, the ratio for stock dividend shall not exceed 50% of total distribution.
 - C. If there is no earnings for distribution in the current year, or if the amount of the earnings is far less than the actual earnings for distribution of the previous year, or in consideration of financial, business, operational, or other related factors, the Company shall distribute all or part of the reserve according to the laws or regulations of the competent authorities.
- (2) No less than 50% of the distribution earnings shall be allocated as cash dividend and subject to the Shareholders' Meeting resolution for disbursement.

1.6.2 The Proposal for Distribution of Dividend as Resolved in Current Session of the General Meeting

Since the Company went public, dividend was disbursed each year per Company's dividend policy. The Company has corporate earnings of NT\$558,013 thousand in FY 2021. The appropriations of earnings for FY 2021 was proposed to and approved by the Company's board meeting on March 28, 2022. The amount of earnings for distribution is NT\$329,653 thousand with cash dividend at NT\$0.35/share.

Note: The appropriations of earnings of FY 2021 is subject to the resolution of the Shareholders' Meeting to be held on May 27, 2022.

1.6.3 Notes to Anticipated Significant Change in the Dividend Policy: None.

1.7 The Impact of Stock Dividend Planned to Release by Current Session of the Shareholders' Meeting on Business Performance and Earnings per Share : Not Applicable.

1.8 Remuneration to Employees and the Directors :

1.8.1 The Percentage or Scope of Remuneration to Employees and the Directors and Supervisors Provided in the Articles of Incorporation

In the event of earnings, the Company shall set aside not less than 0.58% and not more than 4.65% of EBT as remuneration to employees, while not more than 0.58% of EBT as remuneration to directors. However if the Company sustains an accumulated loss, amount of which shall be set aside to cover the loss.

1.8.2 In the event of a discrepancy between the basis for the estimation of remuneration of employees, directors and supervisors, the calculation of the quantity of shares in the distribution of dividend and the actual amount distributed, the accounting of the discrepancy will be:

For FY 2021, the remuneration to employees was NT\$28,432 thousand and remuneration to the directors was NT\$3,546 thousand. The estimation of distributions is based on related part in the Articles of Incorporation, the remuneration to employees, directors and supervisors represented 4.65% and 0.58% of net income (net of the remuneration). The share dividend was not proposed in earnings distribution category.

If there is any difference between such estimated amounts and the amounts resolved by the General Meeting of Shareholders, the difference shall be adjusted in the year of the General Meeting of Shareholders.

1.8.3 Proposal for Distribution of Earnings Passed by the Board:

(1) For remuneration to employees and directors of FY 2021, following amounts are approved by the board meeting held on March 28, 2022:

(A) employee cash remuneration : NT\$18,833 thousand

(B) employee share dividend : NT\$ 0

(C) remuneration to the directors : NT\$3,546 thousand

The Board resolved earnings distribution proposal for FY 2021, and the total amount of remuneration to employees and directors was the same as that recognized in the financial statements.

(2) Number of shares proposed as employee remuneration and relative percentage to capitalized earnings :

No share dividend was proposed as the employee remuneration.

1.8.4 The difference between the employee bonus and remuneration to the directors (including the quantity of shares, amount and stock price) of the previous fiscal period actually disbursed, and the recognized employee bonus and remuneration to the directors, and explain the difference, if applicable, and cause of the difference and the response:

It was resolved by the Board Meeting on March 26, 2021 that for FY 2020 the amount disbursed for employee bonus was NT\$18,883 thousand, remuneration to the directors was NT\$2,356 thousand, and no employee share dividend was proposed. The said Board resolution was reported to the Shareholders' Meeting on May 28, 2021. There is no difference between the said amount and that recognized in the financial statements.

1.9 Repurchase of Company Shares: None.

2. Corporate Bonds (including overseas corporate bonds):

Units : NT\$ dollar

Corporate Bond Type	2019 Unsecured Corporate Bonds, Phase I	2021 Unsecured Corporate Bonds, Phase I
Issue date	September 17, 2019	May 26, 2021
Denomination	1,000,000	1,000,000
Issue price	Issue by denomination	Issue by denomination
Total price	3,000,000,000	3,450,000,000
Coupon rate	0.71%	0.52%
Tenor	5 years Maturity: September 17, 2024	7 years Maturity: May 26, 2028
Guarantee agency	None	None
Consignee	Taipei Fubon Commercial Bank Co., Ltd.	Taipei Fubon Commercial Bank Co., Ltd.
Underwriting institution	Yuanta Financial Holding Co., Ltd	Yuanta Financial Holding Co., Ltd
Certified lawyer	Jack Y. Twu from Lee and Li, Attorneys-at-Law	Frank Huang from Lee and Li, Attorneys-at-Law
CPA	Lie-Dong Wu from Deloitte & Touche	Ting-Chien Su from Deloitte & Touche
Repayment method	Repayment in lump sumupon	Repayment in lump sumupon

		maturity	maturity
Outstanding principal		3,000,000,000	3,450,000,000
Terms of redemption or advance repayment		None	None
Restrictive clause		None	None
Name of credit rating agency, rating date, rating of corporate bonds		Rating agency: Taiwan Ratings Corp. Credit Rating of Issuer: twAA-/stable/twA-1+ Rating date: May 29, 2019 Credit rating: Not applicable	Rating agency: Taiwan Ratings Corp. Credit Rating of Issuer: twAA-/developing/twA-1+ Rating date: April 23, 2021 Credit rating: Not applicable
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	Not applicable	Not applicable
	Issuance and conversion (exchange or subscription) method	None	None
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None	None
Transfer agent		Not applicable	Not applicable

3. Preferred Shares: None.

4. Participation in Issuance of Overseas Depository Receipts: None.

5. Employee Stock Options: None.

6. Restricted ESO: None.

7. Merger and Acquisition: None.

8. Issuance of New Shares through Acceptance of Assignment of Shares from other Issuers: None.

9. Capital Utilization Plan and Implementation of the Plan:

- (1) AIDC has raised unsecured corporate bonds of NT\$ 300 million on September 17, 2019, and have fully used by the end of the fourth quarter of 2019, to repay short-term debts, enrich long-term funds and strengthen finance structure. The project implemented accords to scheduled plan, and there is no difference between the expected benefits and the actual situation.
- (2) AIDC has raised unsecured corporate bonds of NT\$ 345 million on May 26, 2021, and have fully used by the end of the second quarter of 2021, to repay short-term debts, enrich long-term funds and strengthen finance structure. The project implemented accords to scheduled plan, and there is no difference between the expected benefits and the actual situation.

V. Operation Outlook

1. Business Content

1.1 Scope of Business

1.1.1 The Content of Principal Business

Manufacturing and Maintenance of Airplanes and its Parts and Components

Manufacturing and Maintenance of Engine and its Parts and Components

Industrial Technology Services (energy, tracks, information and aviation service)

1.1.2 Proportion of Different Business Lines

AIDC runs 3 categories of business, namely, "Maintenance of Airplanes and Vehicles", "Engines", and "Industrial Technology Services" in the following proportions:

Unit : NT\$ thousands

Product Category	2020		2021	
	Amount	%	Amount	%
Maintenance of Airplanes and Vehicles (Note 1)	14,026,669	66.65	14,859,432	62.61
Engines (Note 2)	6,421,779	30.52	8,311,780	35.02
Industrial Technology Services	594,489	2.83	563,354	2.37
Total	21,042,937	100.00	23,734,566	100.00

Note 1: Airplanes and Vehicles Maintenance: including military and commercial planes and vehicles maintenance.

Note 2: Engines: including military and commercial engines.

1.1.3 Running Products (Services) of the Company

AIDC runs the merchandises (services) for defense, commercial aviation and industrial technology services.

Defense industry includes the manufacturing maintenance, and performance upgrade of domestic military aircrafts, commercial maintenance of air fleets, production of military hardware by private sector, and military aircraft engines.

Commercial aviation business includes the design and OEM production of airframe structure and sub-assembly parts, and the design, processing and OEM production of international commercial aircraft engines and parts and components.

Industrial technology services aim at the energy system, the aviation service and the application of the R&D, design, manufacturing, testing, system integration, and after-sales service deriving from aerospace technology capacity currently in service.

1.1.4 Development of New Products (Services) under Planning

In the area of defense industry, AIDC plans to develop basic jet trainer, the next-generation fighter, fight for business opportunities of newly purchased F-16V fighters including adopt domestic engine and maintenance in business, and expand business in military aircraft and fleet maintenance and GOCO. By the increasing R&D and production projects with National Chung-Sahn Institute of Science and Technology (NCSIST), AIDC aim to become the main manufacturing base for NCSIST research product.

In the area of commercial planes, the recovery of global aviation market is hampered by covid-19 variant virus , therefore AIDC mainly focus on executing the exsiting orders in 2021. In the long run, AIDC plans to develop the parts and components of new commercial planes, and the system parts and components of engines under risk sharing plan, and expand business in large engine case and overall maintenace of engines.

In the area of industrial technology, AIDC plans to develop green energy business such as energy

storage system, communication systems, and provide technology services including space satellite parts, and advanced simulation, to expand the scope of business.

1.2 Industry Outlook

1.2.1 Industry Outlook and Development

1.2.1.1 Defense Industry

While air force is our primary customer, defense business lies with the defense budget of the government. Due to the difficulty in procuring defense weapon abroad, in order to secure Taiwan's autonomous national defense, the ROC armed forces adopts comparative advantage thinking to build up Taiwan's autonomous national defense, and make firm budget plan in compliance with the force buildup schedule.

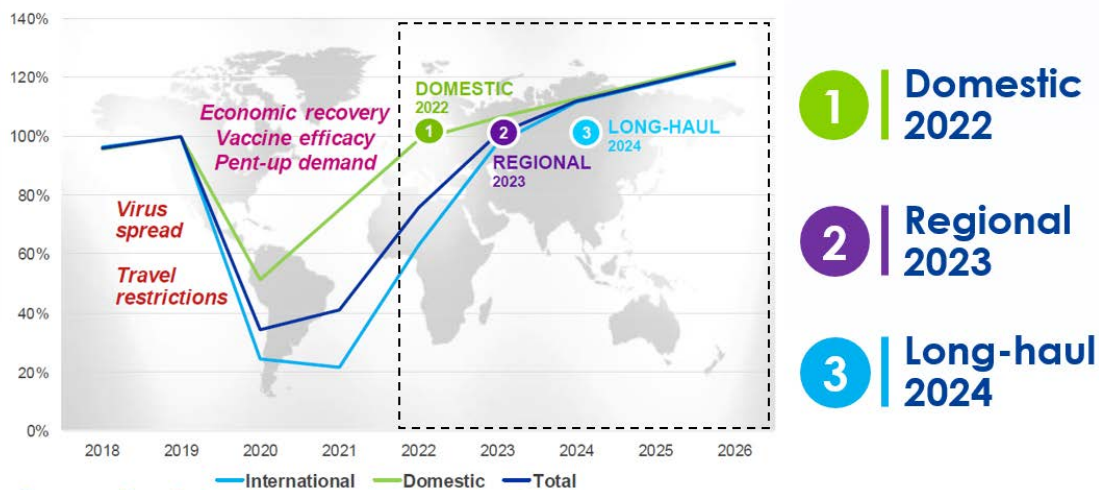
In response to the escalating regional tensions in recent years, the government passed the 250 billion NTD for "Special budget for the procurement of new fighter jet" project in 2019, which aim to build Taiwan's ability in designing and manufacturing defense weapon, and strengthen the defense capability; and 240 billion NTD for "Special procurement for upgrading the capability of naval and air defense " in 2021. The business opportunities derived from this project is expecting to help boost the development of domestic aerospace industry.

1.2.1.2 Commercial Aviation

The global aviation industry is greatly impacted by Covid-19 pandemic, the IATA' latest report provided the schedule of aviation market recovery. In 2022, the global passenger traffic will be 88% of the pre-pandemic level, in 2023, it will be 105% of the pre-pandemic level. The average annual growth rate between 2019-2039 will be at 3.2%.

According to Boeing's forecast, in the short-term, new planes demand will be buoyed in part by a rise in the number of replacements as airlines accelerate the retirement of older jets; In the medium-term market will return to the growth trend; and the single-aisle jets are forecast to lead the way to recovery in the long-term.

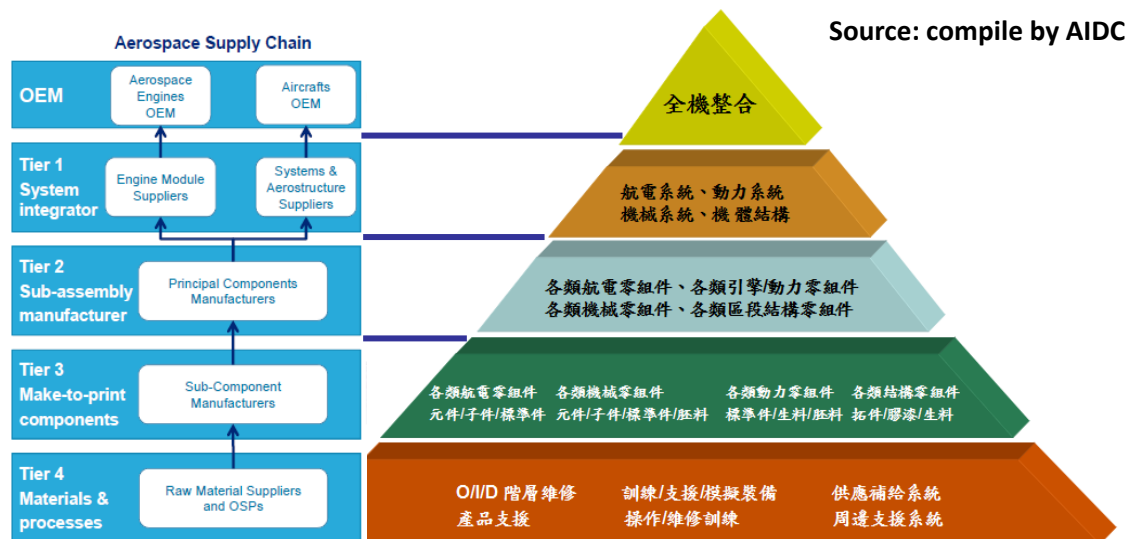
According to Boeing, the market would recover from 3 phases.



1.2.2 The Association of the Upper-, Middle- and Lower-Stream of Industries

In general, the international aerospace and aircrafts and engines supply chains adopt international vertical division of labor, and can be classified into 4 tiers: components/materials supplier (Tier 4), parts supplier (Tier 3), subsystems supplier (Tier 2), (cabin-mounted equipment, module segment critical components) and main structure supplier (Tier 1); and the top layer is the OEM of aircraft structure integration and aero engines which is shown in the chart below.

International Vertical Division of Labor in the Aerospace Industry Value Chain



In the area of aircraft manufacturing, Boeing, Airbus, and Bombardier are the manufacturers of the whole aircraft. GE, Rolls-Royce, Snecma, Pratt & Whitney, and Honeywell and their subsidiaries are the major aero engine manufacturers who are capable of providing engine and aircraft assembly to meet the requirements of Boeing, Airbus and Bombardier

AIDC is a key member of the global aerospace industry supply chain, and is the leader in the aerospace industry of Taiwan providing aircraft structural parts and engine sub-assembly components and parts for the international aircraft market. AIDC has also established a complete network of supply for the speedy upgrading of the entire aerospace industry of Taiwan. After receiving orders from major international firms, in addition to manufacturing and assembly at its Taichung, Shalu and Gang Shan Complexes, AIDC outsources part of the parts and components business to its suppliers. The relation of the upper-, middle-, and lower-stream of the aerospace industries in Taiwan is shown in the chart below.

1.2.3 Different Development Trends of Products

In national defense, most of the jet fighters are at the brink of retirement from service. As such, the Ministry of National Defense has budgeted for long-term maintenance and performance upgrade of the jet fighters and trainers currently in service. Under the MND's policy of downsizing and streamlining the armed forces, the maintenance of military aircraft has been outsourced to the private sector. This trend will be developed further in stable paces.

In commercial aviation, lightweight, fuel efficient and environmental friendly new aircraft has become the mainstream product in the market, in the meantime, single-aisle airplanes will comprise 70 percent of units over the next 20 years to meet the high demand for point-to-point flight route, which will also drive engine related business.

In industrial technology service, AIDC supports the global carbon emission net-zero vision, the government policy of decarbonization policies, prevention of disasters prior to the relief after disasters, the objectives of energy saving, and intensifies operation in aviation service for atmospheric measurement in disaster prevention, energy storage service and decarbonization opportunities.

1.2.4 The Competition

1.2.4.1 Defense Business

The capability and expertise acquired from the development of the IDF fighter and AT-3 jet trainer give AIDC the edge in pursuing the subsequent performance upgrade and maintenance business. Furthermore, AIDC elected as the main operator of the F-16 Maintenance & Support Center in 2020, and will assist the Air Force to solve the maintenance problem of high cost, high failures, and long delivery, and lead domestic manufacturers to seize production and maintenance opportunities of relevant projects.

As for the GOCO business, AIDC has already participated in and has experience in the operation of GOCO services and that give AIDC additional momentum in the competition.

1.2.4.2 Commercial Aviation Business

Major aircraft and engine manufacturers in Europe and America adopted global division of work practice and established the parts and components supply chain system. Currently, the newly emerged economies penetrated into the processing of particular part of aircraft and engines at very low price under the support of their governments. This poses a threat in the price competition. Furthermore, the constant cost reduction demands from international companies, such as Boeing's "Partnering for Success 2.0" and Airbus' "Saving Levers 2020+" strategies, are adding more challenges to the already stringent situation.

Besides, Under the impact of the Covid-19 pandemic, global air travel demand have been greatly reduced. Boeing, Airbus, GE, Rolls-Royce and other aerospace manufacturers have reduced production, adopted layoffs and outsourcing in deal with sharply reduced demand for new aircrafts, affecting lower-level contractors' opportunities. This situation have changed the structure of the aerospace supply chain and the market has been reshuffled, threatening the company's existing orders and providing opportunities at the same time.

To relieve from the vicious cycle of cutthroat competition, AIDC has oriented towards the development of system parts and components in recent years, and sought to engage in the high value-added aircraft segments and engine components. Meanwhile, AIDC has organized the Taiwan Aerospace Industry A-Team 4.0 Alliance with the objectives of "cross-sector alliance, work division of same sector, lean production, and competitiveness enhancement", and has integrated diverse sectors including; raw materials, machinery, manufacturing and logistics to form the aerospace industry supply chain. It is hoped to seize the opportunity of the restructuring of the aerospace supply chain, and to develop the capabilities accumulated by military aircraft experience, transferring technology to civilian use, strengthening A-Team 4.0 manufacturers abilities in order to promote the transformation and upgrading of Taiwan's aviation supply chain, and to strive for business of civil aircraft components manufacturing, and Blue Ocean Markets such as the MRO business, and increasing the global market share.

1.2.4.3 Industrial Technology Service Business

AIDC mainly uses its aerospace technology on hand to provide the service. In supporting the government policies in the development of strategic industries, and the demand for large-scale system engineering in the private sector, AIDC develops relevant products and services and has already gained an edge in the competition.

1.3 Overview of Technology and R&D:

1.3.1 The R&D expenses in the last 2 years are shown in the table below. In the future, more funding will be injected into R&D for fine-tuning the core competence:

Unit : NT\$ thousands

Item	2020	2021	Q1 of 2022
R&D Expenditures	516,700	544,242	Note 2
Net Revenue	21,042,937	23,734,566	Note 2
% of Revenue	2.46%	2.29%	Note 2

Note 1: A 2-4% of annual net revenue will be allocated as R&D expenditures in the future.

Note 2: The financial information for Q1 FY 2022 has not been audited by the CPA up to the printing of the annual report, therefore it is not disclosed.

1.3.2 The technologies or products developed in FY 2020 are shown in the table below:

Item	Technology or Product	Result
1	Develop robotic system integrated skill.	1. Integrated construction Robotic system for #5 factory and #11 factory. 2. Robotic system control and function change by AIDC self 1.3. Training PLC and circuit design people.
2	Research and development of environmentally friendly surface and nickel-based alloy forming and welding technology	1. Completed the simulation test piece of phosphorus-sulfuric acid anodizing certification that meets the requirements of the specification, and the process parameters will apply to the new PSA production line. 1.2. Established the capability and record the related technology of deep drawing and stamping forming, the tools and process parameters will apply to FAI in the future.
3	Electrochemical machining process energy build	1. Completed the design and manufacture of electrodes and fixtures required for the electrochemical machining machine. 2. Completed the parameter optimization setting of the electrochemical machining machine. 1.3. The electrochemical machining process is verified by NADCAP aerospace process.
4	Intelligent manufacturing and maintenance application research and development	1. Developed COBOT for aerospace composite material automatic gluing and visual inspection compensation technology, Reduce manual work time by 30%. 2. Established the robot arm accuracy compensation technology (drilling, routing, etc.), the accuracy is within $\pm 0.25\text{mm}$, and the robot path development time is shortened by 60%. 3. Established aerospace composite process Recipe intelligent selection and recommendation technology.
5	Aerospace additive manufacturing technology research and development.	1. Established the capability and related technology of optimum structural design. 30% weight reduction of target part. 2. Established the capability and related technology of Directed Energy Deposition for Diminishing Manufacturing Source component repair and verification. 1.3. Researched on Aerospace Certification Specifications and non-destructive testing for Additive Manufacturing.
6	Applied research on lean production. (II)	1. During the 2021, 5 Accelerated Improvement Workshops were held while 23 improvement teams were

Item	Technology or Product	Result
		<p>organized, during which Genba observation and waste indication were completed, and then improvement actions were proposed and executed.</p> <p>1. 2. During the 2021, total savings in this project over NT\$100 million.</p>
7	Development and enhancement of fleet management system	<p>1. Integrated and tested Advanced Crash Survivable Memory Unit (ACSMU) with expanded functionalities joined by L3Harris Technologies, Inc. on both prototype and production aircraft of Advanced Jet Trainer as foundation for fleet management program.</p> <p>2. Developed various tools utilizing aircraft operational usage data supporting structural analysis for AJT in-service fleet management program.</p> <p>1. 3. Approach design on smart sensors technological application on Structural Health Monitoring (SHM) system, to maintain fleet structural integration and flight safety.</p>
8	Development of the JCU-jettison control & ballistic analysis	<p>1. Established MCU/1553 programming capabilities.</p> <p>2. Established Altium Designer circuit design capabilities.</p> <p>3. Completed self-designed and assembled automatic test equipment.</p> <p>1. 4. Completed the self-developed Jattison control Unit to reduce the doubts about the disappearance of commercial sources caused by outsourcing parts.</p>
9	Developing the key technology of fuel check valve	<p>1. Completed the design and analysis of critical parts in fuel check valve.</p> <p>2. Finished the functional test rig and passed AT.</p> <p>2. 3. Finished the endurance test rig.</p>

1.3.3 R&D Direction in the Future

1.3.3.1 Development of Critical Technology for Next Generation military Aircraft: Based on military business demands invest in the development of military aircraft related products and improve production capacity.

1.3.3.2 Development of New Products: Upgrade the capacity in the development of aircraft structure and engine parts.

1.3.3.3 Management: Upgrade the fleet managment system, AI project and Lean Acitivity.

1.3.3.4 Maintenance: Establish maintenance capacity and develop the obsolescence parts.

1.3.3.5 Manufacturing: Develop and improve the process for production, assembly and automation, establish intelligent production and manufacturing. And improve the capacity in areas including automatic robotic arm application system integration technology, alloy welding technique, composite material thermoforming and component development.

1.4 Business Development Plans in the Long and Short Run

1.4.1 Defense Business

1.4.1.1 Short Run: Provide quality- and schedule-compliant service to carry out the new advanced jet trainer development program and F-16A/B upgrade program, and to enhance the capabilities of F-16 maintenance center.

1.4.1.2 Long Run: Pursue the business of the primary trainers, next generation fighters, F-16 fighters, and drone, develop the business for the commercial maintenance of military aircraft, I-level maintenance and depot-level maintenance work of the Air Force 1st and 3rd Logistics Commands.

1.4.2 Commercial Aviation Business

1.4.2.1 Short Run: Make an all-out effort to secure existing order first, then pursue increment and manufacturing proportion expansion, alleviate the impact of COVID-19 pandemic, implement lean management and intelligent manufacturing to increase project revenue, and pursue business vigorously in manufacturing popular jet model by fortifying strategic partnership with international companies such as Boeing, Airbus and Rolls-Royce.

1.4.2.2 Long Run: Grasp the market opportunity, enter the field of civil aircraft and engine maintenance (MRO), and develop related business territory to make the Company the Group.

1.4.3 Industrial Technology Service Business

1.4.3.1 Short Run: develop green energy business such as decarbonization business, energy storage system, shipping power systems, and become a leading manufacturer of overall solutions for energy and power systems.

1.4.3.2 Long Run: In support of the government policies, the direction of developing important industries, and the needs of large-scale systems engineering and industrial upgrading in private sector, AIDC extends the implantation of aviation technology and promote the development of related engineering service businesses.

2. Market and Industry Outlook

2.1 Market Analysis

2.1.1 The Regions and Targets of Sales (Supply) of Premium Products (Services):

Product Category	Area	Customers
Defense	Domestic	Ministry of National Defense, National Chung-Sahn Institute of Science and Technology, Lockheed Martin.
Commercial aviation	Foreign	Manufacturing of aircraft body: Aerospace manufacturing giant firms in Europe, America, and Japan, such as Boeing, Airbus, Bombardier, Leonardo, KHI, Mitsubishi, PFW Aerospace GmbH, Sikorsky, SUBARU, Spirit, and Bell Helicopter. Engines: Engine manufacturing giant firms in Europe and America, such as GE, Rolls-Royce, Honeywell, Pratt & Whitney, and Safran.
Industrial Technology Service	Domestic	General Electric Global Services GmbH, Taiwan Branch, Taipei Rapid Transit Corporation, National Chung-Sahn Institute of Science and Technology, National Space Organization, Taiwan Mobile Corporation, DAH LIH PUH Co., Ltd., Taiwan Power Co., Ltd., Central Weather Bureau, Uni-President Enterprise Co., Ltd., Tri-Service General Hospital, Skill Evaluation Center of Ministry of Labor.
	Foreign	The MTR Corporation Limited in Hong Kong, Nagoya University in Japan, Kilang Kelapa Sawit Lekir Sdn Bhd in Malaysia.

2.1.2 Market Share

2.1.2.1 Defense Business

AIDC has the capacity in full-range logistics support service of AT-3 and IDF and the advantage of the maintenance of the aforementioned aircrafts and engines, performance upgrade, and fleet maintenance. In addition, the advocacy of the Ministry of National Defense for outsourcing private contractors for the maintenance of different types of military aircraft and the government-owned and contract-operated military industry plants makes AIDC an indispensable supplier.

2.1.2.2 Commercial Aviation Business

AIDC has emerged as a strategic partner of major aerospace industrial firms of the world and is the leader of aerospace industry of Taiwan. AIDC has already been accredited for different parts and components in the aerospace industry and has good experience in international cooperation and mainly secure the contracts of renowned international giant firms. The international market is so big that the market share is conditioned by the sales of products of the giant firms. As such, there is no information on the market share of the parts and components in the aerospace industry available for reference.

2.1.2.3 Industrial Technology Service

AIDC provides industrial technology service on the foundation of aerospace technology, and expands and applies the technology to tracks, automobile electronics, energy technology, decarbonization and aviation service. However, the income from this business only occupies a small portion of the revenue. As such, the shares in respective markets have not been estimated.

2.1.3 The Supply and Demand in the Market and Growth in the Future

2.1.3.1 Defense Business

In view of the existing service and future combat requirements for jet fighters of the ROC Air Force, in order to maintain combat power and improve aircraft availability, requirements for replacement and upgrade are growing. As such, AIDC has the opportunity for growth in the supply of weapon systems for the armed forces, the maintenance of different types of military aircraft, and the government-owned, contractor-operated business.

2.1.3.2 Commercial aviation Business

According to Boeing Commercial Market Outlook 2021-2040, It is believed that the demand for new aircraft in the next 20 years will be about 43,610. The main demand will be single-aisle aircraft, the average annual growth rate of air passenger traffic is 4%, and the total value of the logistics service (MRO) market is about 9.54 trillion US dollars. The outlook shows Boeing's confidence in the recovery of civil aviation market.

Airbus predicts that the total global demand for commercial aircraft will reach 39,020 in the next 20 years (2021~2040), and the air traffic in Asia grows the fastest..

2.1.3.3 Industrial Technology Service Business

For environmental protection, the government makes positive effort in the advocacy of carbon emission net-zero and circular economy. As such, energy storage and green engineering have the opportunity for further growth. The economic booming in the Southeast Asia drives more public installations and transportation facilities. There is the opportunity for the growth of the mechatronics business.

2.1.4 Competitive Edge

2.1.4.1 Defense Business

AIDC has the capacity in integrated design, manufacturing and logistics support in maintenance of the whole aircraft, and can help to extend the life span, upgrade the performance, commercial maintenance of military aircrafts, and the GOCO business.

2.1.4.2 Commercial aviation Business

The years of joint venture with international giant firms enabled AIDC to establish world-class engineering design capacity in body structure, advanced composite materials, and avionics for commercial aircraft, and support the needs in the development of various business areas with flexible design of production process.

AIDC has been accredited the ISO 9001 and AS9100 systems and the quality accreditation system of Boeing, Airbus, Bombardier, Sikorsky and Bell, and has developed positive partnership with the aforementioned aerospace giant firms.

In the area of aircraft engine, the manufacturing technology capacity of engine case of AIDC has been recognized by the international aircraft engines giant firms, and AIDC has been accredited the quality accreditation system of the area of aircraft engine as well. Currently, AIDC mainly manufactures engine cases, and is engaged in essential partnership with the top 5 engine manufacturers including GE, Honeywell, Pratt & Whitney, Rolls-Royce of the UK, and Snecma.

2.1.4.3 Industrial Technology Service Business

AIDC has large-scale aviation system development experience, possesses mature technology and capability in engineering integration, testing and manufacturing.

2.1.5 Factors Favorable and Unfavorable for Development and the Response

2.1.5.1 Favorable Factors

- A. Taiwan government has designated five innovative industries as the driving force of the next generation. Defense industry being one of the five is expected to lead the investment of the industry.
- B. Among the strong demand from the emerging markets, Asia-Pacific region contributes the most, with a 40% of the total global demand. AIDC has been dedicated in the aerospace industry and successfully entered the global aerospace supply chain, along with Taiwan's position as a regional hub of Asia-Pacific, which is conducive to the business growth.
- C. AIDC elected as the main operator of the F-16 Maintenance & Support Center in 2020, and plan to obtain technology transfer, authorization and certification from Lockheed Martin. AIDC aim to develop the core technology of defense aircraft, lead domestic manufacturers to seize production and maintenance opportunities of relevant projects with the aim of increasing technological capacity and build domestic supply chain of defense industry.

2.1.5.2 Unfavorable Factors and Response

- A. The cost reduction demands from international companies have grown into a huge pressure. Whether it is Boeing's or Airbus's supplier strategy, they all tend to bind new business opportunity with cost reduction negotiation.

Response

AIDC will upgrade and refine the core competence of research and development, design and manufacturing process, and adopt lean production to enhance technology added value, reduce cost, and improve competitiveness.

In addition, through the transfer of military technology to civilian use, AIDC can provide assistance to upgrade supply chain level, establish a long-term and stable cooperation relationship with collaborative partners, enhance competitiveness of regional aerospace industry, pursue higher position in the global aviation supply chain, and reduce the risk of cutthroat price competition from global suppliers.

- B. Technology advanced countries adopted highly automated and intelligent machinery to enhance production efficiency; on the other hand, the newly emerging countries established low-cost aerospace clusters with government support. Both have unfavorable impacts on business development of AIDC.

Response

AIDC has implemented Industry 4.0 to develop iAIDC intelligent manufacturing platform, and via robots, internet of things, big data and CPS technologies to consolidate digital manufacturing and intelligent management, upgrade production efficiency and enhanced competitive power.

- C. The havoc wreaked by the COVID-19 pandemic at the beginning of the year has severely impacted the aerospace giants operation, including Boeing, Airbus, GE, Rolls-Royce and others, have announced rounds of layoffs. The aerospace supply chain has also been severely affected by dwindled orders from leading aerospace manufacturers. AIDC's commercial aircraft programs are no exception.

Response

The vaccine coverage rate of various countries has increased, the Covid-19 prevention policies in Europe and the United States have gradually moved towards coexistence with the virus, and pandemic prevention and control measures have also been loosened. The global air traffic market is expected to gradually improve. Boeing believes that the future aviation industry will recover in three stages: "Domestic short-haul routes will return to pre-pandemic levels in 2022, followed by regional routes in 2023, and long-haul flights in 2024."

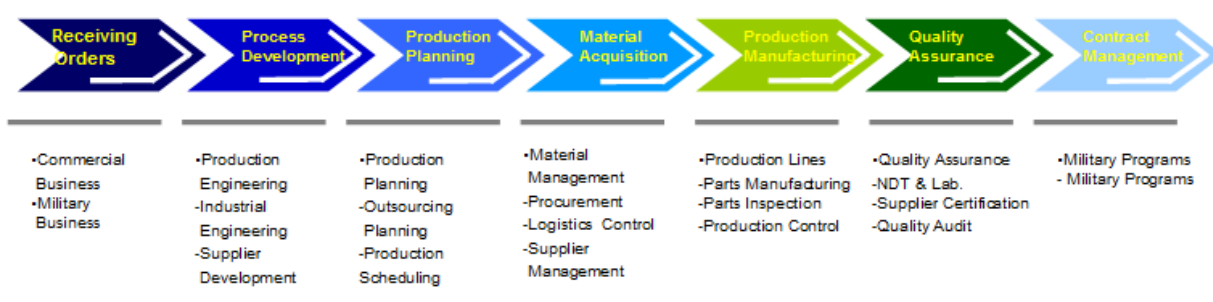
Therefore, orders for single-aisle aircraft and their engines are expected to rebound first, and AIDC-related civil projects have prepared production capacity. At the same time, AIDC focuses on securing business opportunities for military business and technology services for domestic demand, and expects military and civilian projects to make up for each other and move towards sustainable operations.

2.2 The Primary Purpose of Main Products and the Production Process

2.2.1 Primary Purpose

Product Category	Purpose
Maintenance of Airplanes and Vehicles	Defense, combat training, commercial aircraft, commercial helicopters, aircraft aviation control/navigation/monitoring, maintain normal operation/function of aircrafts/engines/avionics within the life span.
Engines	Engine for aircrafts, industrial use engines.
Industrial Technology Services	Large-scale engineering system is applicable to national infrastructure, aerospace technology is applicable to the research and manufacturing of high value-added industry and common household products/technology services to upgrade the industrial level of Taiwan.

2.2.2 Production Process



2.3 The Supply of Key Materials

AIDC is an aerospace manufacturer and relies on qualified suppliers designated by the customers in the supply of direct materials given its specific nature. The materials include the materials for the manufacturing of aircraft body structure, system parts, non-standardized parts and chemical substances (including composite materials). For securing better terms and conditions of supply, AIDC usually entered

into long-term contracts with the suppliers in line with the needs of the customers. The supply of key materials is shown in the table below:

Name of key material	Supplier	Status of supply
Metals	Wilsons BRALCO Boeing c/o TMX Aerospace Titanium Industries	The key suppliers of aluminum, steel, titanium plate, sheet, tube, rod, and molded forms of metals in market.
Non-metals	CYTEC HEXCEL Argosy International Inc. PPG	The key suppliers of composite materials, rubber, paints, and cell devices in market.
Standard metal parts	WESCO Blue Aerospace LLC Boeing Distribution Services Inc. Adept Fasteners Tyco Electronics Singapore Pte Ltd Peerless Aerospace Fastener TPS Aviation Inc	The key suppliers of standard metal parts, electronic parts.
Finished items and non-standardized parts	Moog Inc. Meggitt Aircraft Braking PCC Structural, Inc	As per the request of the customers.

2.4 The Names of the Customers Each Accounted for More than 10% of the Purchase (Sales) and the Amount and Proportion of Purchase (Sales) in any of the Last 2 Years, and the Reasons for the Changes. Use Code Names for Customer Name and Counterparty Required by the Agreements to Keep Confidential and these Parties are not Related Parties to AIDC.

2.4.1 The List of Customers Each Accounted for More than 10% of the Net Purchase in the Last 2 Years:

Item	2020				2021				1/1/2022~3/31/2022			
	Customer	Amount	% of 2018 Total Net Revenue	Relation to AIDC	Customer	Amount	% of 2019 Total Net Revenue	Relation to AIDC	Customer	Amount	% of Q1 of 2020 Net Revenue	Relation to AIDC
1	A	1,956,871	18.77	None	A	—	—	None	A	Note 2	Note 2	None
	Others	8,469,615	81.23	-	Others	11,160,758	100.00	-	Others	Note 2	Note 2	-
	Net Revenue	10,426,486	100.00	-	Net Revenue	11,160,758	100.00	-	Net Revenue	Note 2	Note 2	-

Note 1: AIDC is in good relationship with the aforementioned major supplier and there has been no significant change.

Note 2: Financial information for Q1 of FY 2022 has not been audited by the CPA up to the date of printing of this annual report, therefore it is not disclosed.

2.4.2 The List of Customers Each Accounted for More than 10% of the Net Sales in the Last 2 Years:

Unit : NT\$ thousands; %

Item	2020				2021				1/1/2022~3/31/2022			
	Customer	Amount	% of 2017 Total Net Revenue	Relation to AIDC	Customer	Amount	% of 2018 Total Net Revenue	Relation to AIDC	Customer	Amount	% of Q1 of 2019 Net Revenue	Relation to AIDC
1	A	12,149,913	57.74	None	A	13,882,732	58.49	None	A	Note 3	Note 3	Note3
2	B	2,281,720	10.84	None	B	3,353,920	14.13	None	B	Note 3	Note 3	Note3
	Others	6,611,304	31.42		Others	6,497,914	27.38		Others	Note 3	Note 3	Note3
	Net Revenue	21,042,937	100.00		Net Revenue	23,734,566	100.00		Net Revenue	Note 3	Note 3	Note3

Note 1: AIDC is in good relationship with the aforementioned 2 major customers and there has been no significant change in the last 2 years.

Note 2: The aforementioned financial information for FY 2020 and FY 2021 is based on the audited figures under IFRSs.

Note 3: Financial information for Q1 of FY 2022 has not been audited by the CPA up to the date of printing of this annual report, therefore it is not disclosed.

2.5 Production Volume and Value in the Last 2 Years:

Unit : NT\$ thousands

Product	Year Val. & Vol.	2019			2020		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Maintenance of Airplanes and Vehicles		—	—	12,867,937	—	—	13,756,646
Engines		—	—	6,528,165	—	—	7,468,222
Industrial Technology Services		—	—	460,614	—	—	545,996
Total		—	—	19,856,716	—	—	21,770,864

Note 1: The items for delivery included self-made parts, spare parts, support equipment, documents, software, and technology service. The nature of the business is made-to-order and there are no standard items therefore the estimation of production capacity and volume is not available.

Note 2: The items of engines for delivery including spare parts, service, and OEM order for commercial engines of foreign countries.

Note 3: The financial information of FY 2020 and 2021 are based on the audited figures under IFRSs.

2.6 The Sales Value and Volume in the Last 2 Years:

Unit : NT\$ thousands

Product	Year Val. & Vol.	2020				2021			
		Domestic		Foreign		Domestic		Foreign	
		Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
Maintenance of Airplanes and Vehicles		—	8,812,853	—	5,213,817	—	9,647,666	—	5,211,766
Engines		—	2,085,944	—	4,335,834	—	2,380,749	—	5,931,031
Industrial Technology Services		—	545,325	—	49,164	—	527,783	—	35,571
Total		—	11,444,122	—	9,598,815	—	12,556,198	—	11,178,368

Note 1: The items for delivery included self-made parts, spare parts, support equipment, documents, software, and technology service. The nature of the business is made-to-order and there are no standard items therefore the estimation of production capacity and volume is not available.

Note 2: The items of engines for delivery including spare parts, service, and OEM order for commercial engines of foreign countries.

Note 3: The financial information of FY 2020 and FY2021 are based on the audited figures under IFRSs.

3. Employee Profiles in the Last 2 Years to the Date this Report was Printed

Year		2019	2020	2021
Employee	Level I Executives and higher	27	29	31
	Others	5,268	5,075	5,178
	Total	5,295	5,104	5,209
Average Age (years)		45.6	44.6	45.7
Average Years of Service (years)		13.1	12.6	13.3
Education	Ph.D.	0.53%	0.63%	0.61%
	Master's	17.54%	17.95%	17.53%
	Bachelor's	37.83%	40.10%	42.08%
	Other Higher Education	21.32%	20.87%	20.12%
	High School	22.48%	20.22%	19.45%
	Junior High and below	0.30%	0.23%	0.21%

Note: Chairman, President and employees on leave without pay are not included.

4. Information on Expenditures for Environmental Protection

In the last 2 years up to the fourth quarter of 2021, the loss incurred from pollution to the environment and the total amount of penalty, with disclosure of the plan to tackle with the pollution problem and the possible expenditures: None.

5. Labor-Management Relation

5.1 Specify the Welfare Policy, Continuing Education, Training, and Retirement Systems and the Status of Implementation, Labor-management Coordination and the Measures for the Protection of the Rights and Privileges of the Employees

5.1.1 Welfare Policy of the Company

5.1.1.1 Welfare Policy: Provide all employees with labor insurance, national health insurance and accident insurance with NT\$4 million insured. Provide Employee Stock Ownership Trust for permanent employees with 20% compensation. Provide performance bonus and annual bonus. General physical examination for all employees and special physical examination for employees engaged in special duties are also offered.

5.1.1.2 Employee Welfare Committee: AIDC has established the Employee Welfare Committee in accordance with the Employee Welfare Fund Statue for coordination of all fringe benefits for the employees, supervise and advocate all group activities with subsidy. In addition, an annual budget has been prepared for the planning of welfare to subsidize employees in matrimony, funeral, sickness, maternity and paternity. Gifts were also granted on birthdays and festivities. Recreational activities, parent-children events, and group activities were organized for the employees as well.

5.1.1.3 Psychological health care has also been an essential policy of AIDC:

The Company has established the Employee Assistance System (EAS) operating through Employee Assistance Center. The EAS integrates the resources of labor safety, human resources, psychological counseling, employee welfare and community to form a network of care. It provides timely aid to the employees by funding assistance for hospitalization, concern for the decease of employees and families, medical expenses and major disasters. It also helps to launch the Employee Assistance Programs (EAPs), including: office observers program, individual and family consultation assistance, project for balancing work and living, psychological health assessment, assistance for employees in sickness and injury and group support, care for new employees, care for the employees at retirement, mindfulness-based stress reduction and weight loss project.

The Company has launched office observers program which provide the training and promote the

EAS actively to strengthen employees and family care with the Care Workers Volunteer Team and the Unit Care System. It also actively promotes staff to assist in the systemic care mechanism, with a personalized and group-based staff assistance program to provide staff and is a body and mind health care information and resources, strengthen employee and family care and support services, improve employees' physical and mental health and reduce unsafe behavior, avoid human error, reduce the risk and cost of health hazards, improve mental health and workplace safety.

The Company applies its human resources to fulfilling corporate social responsibility, efforts of which include; holding social care activities through its volunteer group, supporting social welfare and care for remote area education, government and charity groups activities, providing volunteer service opportunity to retired employees to enrich their value of life, promoting good deed and helping the weak; encouraging employees to make donations; and providing direct/indirect assistance to the operation of the disadvantaged group.

5.1.1.4 The Regulation and Operation of the Committee Against Sexual Harassment: AIDC has instituted the guideline for filing complaints and punishment of sexual harassment at workplace, and has established a Sexual Harassment Complaints Committee in 2002 for the prevention of sexual harassment with positive effort.

5.1.1.5 Compliant Response Committee: AIDC has instituted the regulation governing complaints from the employees. This committee seeks to protect the legitimate rights of the employees and respond to the complaints thereof. This function helps to improve labor-management relation.

5.1.1.6 Creation of a Friendly and LOHAS Workplace: AIDC highly treasures the value and spirit of human right and equality of both sexes, and makes proactive effort in materializing such rights through its internal code for nurturing an environment of sexual equality, and maintain equity in salary, bonus and promotion opportunity. In addition, AIDC also employs social misfortunes and pursue safety and health management at workplace, bolster consensus and identification as a team, motivate the employees and enhance work efficiency for the creation of a workplace preferred by all employees.

5.1.1.7 Building up a Parent-Friendly Environment: AIDC encourages marriage and childbearing and is dedicated to providing employees a parent-friendly environment. AIDC offers a variety of parent-focused support - pregnancy and postpartum care, lactation rooms, parental leave, maternity benefits, and monthly childcare subsidy for a maximum of 2 years. Furthermore, regardless of the gender and work, both male and female employees are eligible to unpaid parental leave. In the last two years (2020~2021), 65 employees have taken parental leave, and the reinstatement rate is 63%.

5.1.2 Employee Training and Continuing Education

To observe the spirit of "Talent Quality-Management System, TTQS" introduced by Workforce Development Agency, Ministry of Labor, AIDC developed its training quality system and established Education & Training Committee and Education & Training Promotion Team to administer internal talent cultivation and employee training. In 2021, AIDC applies for the reviews of TTQS of Ministry of Labor, and awarded "Gold Medal of Enterprise and Silver Medal of Training Facility"

5.1.2.1 Employee Training: AIDC provides training for the employees through orientation of new employees and on-the-job training. The focus of orientation training is the merge with AIDC culture and understanding of concept, quality and cost, teamwork and the job skills required for all duties at entry level. From day one, new employees have to undergo a 3-6 months training program of general duties and professional duties in line with the probation. The training aims at developing the potential of the new employees to adapt to the new work environment and perform the assigned duties with competence. Current employees will receive internal and external training in line with requirements such as corporate strategic objectives, legal rules, organizational development, business contracts, and employee career development; and that includes business management, lecturer training, lean management, material management, cost management, project management,

contract negotiation, business marketing, and other critical management skills, together with engineering development, production and manufacturing, production process, machinery processing, process specification, quality inspection, aircraft maintenance, avionics repair and maintenance, information management, flight engineering, occupational safety and health and related professional training. These skills would be essential to ensure all officers and employees of related business are competent for the duties. Facing the retirement trend in the near future, AIDC has launched the mentor-apprentice program to cultivate aerospace young talents and ensure the skill and experiences could be inherited smoothly. Combined with other training program help to upgrade the quality of the work force and competitiveness of the Company. In 2021, AIDC provided 4,143 training courses (excluding online learning courses) with 166,477 person-times participated and that amounted to a total of 300,229 training hours.

5.1.2.2 On-the-job Training: AIDC selects employees of good standing and with high potential to receive domestic full-time education or part-time education every year, and is engaged in cooperative education program with a number of universities. AIDC also subsidizes and encourages employees to engage in continuing education, participation in the test of foreign language proficiency, and get licensing of relevant technical skills. AIDC spares no effort to encourage employees to engage in lifetime learning, self-development and upgrade of professional standing at all times. In 2021, 79 employees took part in the full-time or part-time education programs and the continuing education subsidized by AIDC; and 19 employees received subsidies for foreign language proficiency and 4 employees for professional certification tests.

5.1.3 Employee Retirement Plan and Implementation

5.1.3.1 Retirement under the Old System

- A. According to the “AIDC Employee Retirement, Pension, and Layoff Guideline”, the pension for retirement of AIDC employees could be claimed from the account at the Bank of Taiwan.
- B. The “Employee Pension Reserve Monitoring Committee” was established pursuant to Article 56 of the Labor Standards Act. The “Employee Pension Reserve Monitoring Committee” was convened on February 2, April 27, July 29 and October 27, 2021 respectively to review and monitor the contribution to pension fund and the balance of pension reserve for the employees.
- C. AIDC appoints an actuarial professional to conduct actuarial calculation on the pension fund, and allocates pension expenses for deposit according to the actuarial calculation report on January 3, 2020, at the special pension account at the Bank of Taiwan in compliance with legal requirements (allocation of 2~15%).

5.1.3.2 Retirement under the New System

All employees under the new system are subject to the rules of the “Labor Pension Act” thereby contributing 6% of their monthly salary to their individual special pension accounts at the Labor Insurance Bureau.

5.1.4 Labor-management Agreement and the Pursuit of Policy for the Protection of Labor Rights

5.1.4.1 AIDC firmly embraces the principle of labor-management harmony and the advocacy of labor-management cooperation thereby spares no effort to cultivate channels for communications with the employees for protecting their rights. In addition, AIDC also holds labor-management meetings pursuant to Article 83 of the Labor Standards Act and the “Regulations Governing Labor-Management Meetings”. Corporate labor-management meetings were held in January, April, August and November 2021; March, August, October and December in Sha-Lu; and March, September 2021, January 2022 in Gang Shan.

5.1.4.2 To maintain good labor-management relations, the management hosted 5 meetings with Labor Union.

5.2 Loss Caused by Labor-management Disputes in the Last 2 years to the Date this Report was Printed

AIDC always treasures labor-management harmony and there has been no significant loss caused by labor-management disputes deriving in the last 2 years to the date this report was printed. It is expected that no significant loss may incur in foreseeable years from labor-management disputes.

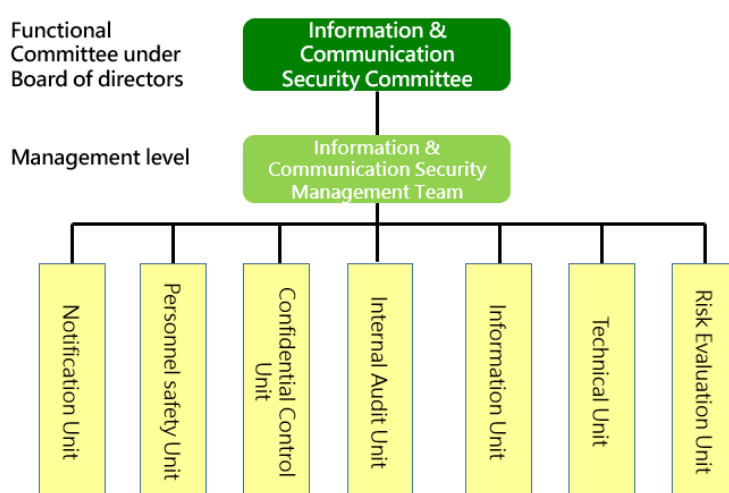
6. Information-Communication Security Management

6.1 Information-communication security risk management framework, Information communication security policy, specific management programs and resources invested in information-communication security management:

6.1.1 Information-communication security risk management framework

6.1.1.1 AIDC has established "Information & Communication Security Committee", approved by the Board of Directors on December 18, 2020, to strengthen the information security management. The committee is convened by independent directors who serve as the chairman, and the meetings held at last twice a year.

6.1.1.2 The company has set up "Information Security Management Team", with the vice president serve as the convener, members including the information security officers of each department (mostly the deputy director concurrently), and the meeting is held twice a year to review the information security management.



6.1.2 Information communication security policy

AIDC's information communication security policy is also disclosed at website
<http://www.aidc.com.tw/en/about/infosecurity>

1. The purpose of information security

To enhance the security of the Company's information and communication operations and to prevent unauthorized access, use, control, leakage, destruction, tampering, destruction or other infringement of information and communication systems or information to ensure their confidentiality, integrity and availability. To comply with relevant laws, regulations and customer requirements in order to smoothly promote the Company's various businesses, thereby gaining the trust of customers, enhancing competitive advantages and ensuring the sustainable operation of the Company.

2. Management objectives

2.1 To ensure the confidentiality, integrity and availability of the Company's business information and the sustainable operation of the Company.

2.2 To meet or exceed information security related laws, regulations, and customer information security requirements and testing to achieve continuous and safe business operations.

2.3 To establish and continuously improve the information and communication security management system to ensure the security of the Company's information and communication and effectively reduce the risk of theft, misuse, leakage, tampering or destruction of information assets caused by human negligence, intentional or natural disasters, etc.

3. Scope of Application

This policy applies to our employees, vendors and third party personnel who access our business information or provide services.

4. Organization

The Company has a functional committee at the Board of Directors level, the "Information & Communication Security Committee", which is chaired by an independent director elected by all members, and meets at least twice a year. Under this committee, an inter-departmental task force is established at the management level - the "Information and Communication Security Management Team", with the Vice President as the convener, responsible for the planning and implementation of the Company's information and communication security policies, and the formulation of the Company's information and communication security management, crisis notification and emergency response handling.

5. Management Principles

The management of information and communication security covers 14 management items to avoid the occurrence of improper use, leakage, tampering, and destruction of data due to human negligence, intentional or natural disasters, and other factors that may bring various risks and hazards to the Company. Management matters are as follows.

5.1 Information Security Policy

5.2 Organization of information security

5.3 Human resource security

5.4 Asset management

5.5 Access Control

5.6 Cryptography

5.7 Physical and environmental security

5.8 Operational security

5.9 Communication security

5.10 System acquisition, development and maintenance

5.11 Provider relationships

5.12 Information Security Incident Management

5.13 Information security aspects of business continuity management

5.14 Compliance

6. Responsibility

6.1 The Ares Security Committee shall review this policy and the related management system, and report to the Board of Directors annually on the results of the project.

6.2 The "APC Security Management Team" shall review and revise this policy and the specific management plan in a timely manner to ensure that the policy meets current needs.

6.3 The Information Security Management Unit shall implement this policy through appropriate standards and procedures, and develop awareness of information security risks for all employees.

6.4 Department heads shall proactively promote and require their staff to understand and comply with this Security Policy and all ICT security related requirements.

6.5 All Company employees, suppliers or third party personnel who have access to relevant business information shall comply with the requirements of this policy.

6.6 It is the responsibility of all Company personnel to report any potential ATC security incidents or ATC security weaknesses, and the ATC Security Management Team will be responsible for prevention and improvement.

6.7 Any intentional violation of APC security will be subject to liability for relevant regulations or legal actions.

6.8 Relevant information security measures or regulations shall comply with the requirements of current laws and regulations.

7. Evaluation and Review

This information security policy shall be approved by the general manager and evaluated every six months or re-evaluated when there are significant changes in the organization. According to the evaluation results, the policy shall be revised as necessary.

8. Announcement and Implementation

This policy shall be reviewed and approved by the "Information Security Committee" at the Board of Directors level, and the implementation date shall be announced and disclosed on the Company's intranet and official website or in the annual report, and shall be amended as well.

6.1.3 Information communication security management programs

6.1.3.1 AIDC builds a complete information security infrastructure and protection system from gateway management and control, endpoint protection, intranet monitoring and protection, information security joint defense, and defense business entity isolation zone control. The implementation of information communication security management are as follows:

- Passed recertification audit of ISO 2700 :2013 (including extended scope special audit)
- Passed information security assessments from customer
- Formulated regulations of personal data protection; and controlling operations related to computerized information systems.
- Adopted information communication security inspection in annual internal audit.
- Held social engineering every two months to raise awareness.
- Screened and blocked junk emails.
- Effectively defended against advanced persistent threat (APT) attacks.
- Maintained availability of critical information systems.
- Information Security Improvement and Protection Effectiveness:
 - Level 1: block entry and exit border protection, such as zombie computers, fishing websites,

malicious IP addresses and etc.

- Level 2: advanced firewall that successfully blocking external attacks and APT malicious attacks.
- Level 3: effectively block advanced persistent threat (APT) attack letters.
- Strengthen prevention and control of the spreading of virus emails by targeting suspicious emails notified by employees.
- Establish an information security monitoring center and cooperate with external information security to effectively prevent attacks in the first place.

■ Information communication security training:

- All employees completed training for 3 hours
- Notify major information communication security information every month

6.1.4 resources invested in information-communication security management: AIDC has invested NT\$50 million in manpower, and NT\$11 million on equipment and maintenance.

6.2 The losses suffered by the company due to major information-communication security incidents in the most recent year up to the publication date of this annual report, the possible impact, and the countermeasures being taken: None.

7. Major Agreements

Contracting Party	Principal Content
Airbus	Commercial aircraft components and parts manufacturing program
Bell	Helicopter components and parts manufacturing program
Boeing	Commercial aircraft components and parts manufacturing program
Bombardier	Commercial aircraft components and parts manufacturing program
FHI	Commercial aircraft components and parts manufacturing program
GE	Engine parts manufacturing program
GKN	Commercial aircraft components and parts manufacturing program
Honeywell	Engine parts manufacturing program
KHI	Commercial aircraft components and parts manufacturing program
Latecoere	Commercial aircraft components and parts manufacturing program
Leonardo	Commercial aircraft components and parts manufacturing program
MITAC	Commercial aircraft components and parts manufacturing program
PFW	Commercial aircraft components and parts manufacturing program
Pratt & Whitney	Engine parts manufacturing program
Rohr, Inc	Commercial aircraft components and parts manufacturing program
Rolls-Royce	Engine parts manufacturing program
Sikorsky	Helicopter components and parts manufacturing program
Spirit	Commercial aircraft components and parts manufacturing program
Ministry of National Defense R.O.C.	GOCO program for 11th Maintenance & Supply Group IDF Modification and Maintenance Programs
NCSICT	Advanced Jet Trainer Program

VI. Financial Position

1. Concise Financial Statement Covering the Last 5 Years

1.1 Concise Balance Sheet and Comprehensive Income Statement- IFRSs

1.1.1 Consolidated Concise Balance Sheet:

Unit : NT\$ thousands

Fiscal Year		Financial Information Covering the Last 5 Years					
Title		2017	2018	2019	2020	2021	2022Q1
Current Assets		23,111,931	29,014,820	32,154,259	29,794,603	26,785,421	Note 3
Real Properties, Plants, and Equipment		8,718,654	8,352,719	8,568,418	9,297,868	9,413,000	Note 3
Intangible Assets		1,000,404	867,785	1,246,970	1,156,391	906,575	Note 3
Other Assets (Note 4)		921,892	1,584,230	4,117,789	3,775,438	3,642,896	Note 3
Total Assets		33,752,881	39,819,554	46,087,436	44,024,300	40,747,892	Note 3
Current Liabilities	Cum-dividend	15,508,917	21,805,607	19,389,351	21,187,090	16,305,592	Note 3
	Ex-dividend	16,573,227	23,067,709	20,510,173	21,375,463	16,635,245	Note 3
Non-current Liabilities		5,140,922	3,880,330	11,974,499	8,872,938	10,117,613	Note 3
Total Liabilities	Cum-dividend	20,649,839	25,685,937	31,363,850	30,060,028	26,423,205	Note 3
	Ex-dividend	21,714,149	26,948,039	32,484,672	30,248,401	26,752,858	Note 3
Shareholders' Equity Attributable to the Parent Company		13,103,042	14,133,617	14,723,586	13,964,272	14,324,687	Note 3
Capital Stock		9,418,671	9,418,671	9,418,671	9,418,671	9,418,671	Note 3
Capital Surplus		—	—	—	—	—	Note 3
Retained Earnings	Cum-dividend	3,716,543	4,706,032	5,334,724	4,664,437	5,059,836	Note 3
	Ex-dividend	2,652,233	3,443,930	4,213,902	4,476,064	4,730,183	Note 3
Other Equity		(32,172)	8,914	(29,809)	(118,836)	(153,820)	Note 3
Treasury Stock		—	—	—	—	—	Note 3
Uncontrolled Equity		—	—	—	—	—	Note 3
Total Equity	Cum-dividend	13,103,042	14,133,617	14,723,586	13,964,272	14,324,687	Note 3
	Ex-dividend	12,038,732	12,871,515	13,602,764	13,775,899	13,995,034	Note 3

Note 1: The basis for FY 2017 to FY 2021 is audited figures under IFRSs.

Note 2: Up to the date of the printing of this annual report, proposal for distribution of earnings for FY 2021 resolved by the Board of director on March 28, 2022, yet has not been resolved by the shareholders' meeting.

Note 3: Up to the date of the printing of this annual report, the first quarter of FY 2022 has not been audited by the CPA.

Note 4: Other assets include fair value through other comprehensive income noncurrent financial assets, noncurrent financial assets at cost, investment accounted for under the equity method, right-of-use assets, deferred income tax assets, prepayments for equipment, other noncurrent financial assets and other noncurrent assets.

1.1.2 Concise Individual Company Balance Sheet:

Unit : NT\$ thousands

Fiscal Year		Financial Information Covering the Last 5 Years				
Title		2017	2018	2019	2020	2021
Current Assets		23,098,583	28,977,692	32,121,745	29,739,071	26,719,761

Fiscal Year Title		Financial Information Covering the Last 5 Years				
		2017	2018	2019	2020	2021
Real Properties, Plants, and Equipment		8,717,619	8,351,958	8,567,935	9,297,653	9,412,918
Intangible Assets		1,000,404	867,785	1,246,856	1,156,321	906,544
Other Assets (Note 4)		900,628	1,602,010	4,130,114	3,825,123	3,691,018
Total Assets		33,717,234	39,799,445	46,066,650	44,018,168	40,730,241
Current Liabilities	Cum-dividend	15,473,314	21,785,498	19,371,001	21,181,710	16,289,122
	Ex-dividend	16,537,624	23,047,600	20,491,823	21,370,083	16,618,775
Non-current Liabilities		5,140,878	3,880,330	11,972,063	8,872,186	10,116,432
Total Liabilities	Cum-dividend	20,614,192	25,665,828	31,343,064	30,053,896	26,405,554
	Ex-dividend	21,678,502	26,927,930	32,463,886	30,242,269	26,735,207
Shareholders' Equity Attributable to the Parent Company		13,103,042	14,133,617	14,723,586	13,964,272	14,324,687
Capital Stock		9,418,671	9,418,671	9,418,671	9,418,671	9,418,671
Capital Surplus		—	—	—	—	—
Retained Earnings	Cum-dividend	3,716,543	4,706,032	5,334,724	4,664,437	5,059,836
	Ex-dividend	2,652,233	3,443,930	4,213,902	4,476,064	4,730,183
Other Equity		(32,172)	8,914	(29,809)	(118,836)	(153,820)
Treasury Stock		—	—	—	—	—
Uncontrolled Equity		—	—	—	—	—
Total Equity	Cum-dividend	13,103,042	14,133,617	14,723,586	13,964,272	14,324,687
	Ex-dividend	12,038,732	12,871,515	13,602,764	13,775,899	13,995,034

Note 1: The figures for FY 2017 to FY 2021 are audited under IFRSs.

Note 2: Up to the date of the printing of this annual report, proposal for distribution of earnings for FY 2021 resolved by the Board of director on March 28, 2022, yet has not been resolved by the shareholders' meeting.

Note 3: Other assets include fair value through other comprehensive income noncurrent financial assets, noncurrent financial assets at cost, investment accounted for under the equity method, right-of-use assets, deferred income tax assets, prepayments for equipment, other noncurrent financial assets and other noncurrent assets.

1.1.3 Consolidated Concise Comprehensive Income Statement:

Unit : NT\$ thousands

Fiscal Year Title		Financial Information Covering the Last 5 Years				
		2017	2018	2019	2020	2021
Revenue		27,537,414	28,182,098	28,540,207	21,042,937	23,734,566
Gross Profit		3,900,142	3,639,590	3,810,641	1,402,101	1,771,473
Operating Income		2,769,768	2,346,158	2,445,366	179,824	491,341
Non-operating Income and Expenses		(490,979)	305,860	(73,829)	299,799	183,355
Earnings before Taxation		2,278,789	2,652,018	2,371,537	479,623	674,696
Earnings for Continued Operations		1,747,981	2,092,016	1,874,287	395,858	558,013
Earnings for Discontinued Operations		—	—	—	—	—

Title \ Fiscal Year	Financial Information Covering the Last 5 Years					
	2017	2018	2019	2020	2017	2022Q1
Earnings in Current Period	1,747,981	2,092,016	1,874,287	395,858	558,013	Note 2
Other Incomes in Current Period (after taxation)	(97,116)	(91,468)	(22,216)	(34,350)	(9,225)	Note 2
Total Incomes in Current Period	1,650,865	2,000,548	1,852,071	361,508	548,788	Note 2
Earnings Attributable to Parent Shareholders	1,747,981	2,092,016	1,874,287	395,858	558,013	Note 2
Earnings Attributable to Uncontrolled Equity	—	—	—	—	—	Note 2
Total Comprehensive Incomes Attributable to Parent Shareholders	1,650,865	2,000,548	1,852,071	361,508	548,788	Note 2
Total Comprehensive Incomes Attributable to Uncontrolled Equity	—	—	—	—	—	Note 2
Earnings per Share (NTD) (Note 3)	1.86	2.22	1.99	0.42	0.59	Note 2

Note 1: The information for FY 2076 to FY 2021 are the audited figures under IFRSs.

Note 2: Up to the date of printing of this annual report, information of Q1 of FY 2022 has not been audited by the CPA, therefore it is not disclosed.

1.1.4 Concise Individual Company Comprehensive Income Statement:

Unit : NT\$ thousands

Title \ Fiscal Year	Financial Information Covering the Last 5 Years				
	2017	2018	2019	2020	2021
Revenue	27,537,414	28,156,144	28,515,619	21,020,879	23,711,193
Gross Profit	3,887,062	3,596,641	3,752,713	1,354,943	1,725,942
Operating Income	2,769,621	2,340,133	2,440,642	171,692	485,822
Non-operating Income and Expenses	(568,342)	267,966	(140,569)	234,401	125,604
Earnings before Taxation	2,201,279	2,608,099	2,300,073	406,093	611,426
Earnings for Continued Operations	1,747,981	2,092,016	1,874,287	395,858	558,013
Earnings for Discontinued Operations	—	—	—	—	—
Earnings in Current Period	1,747,981	2,092,016	1,874,287	395,858	558,013
Other Incomes in Current Period (after taxation)	(97,116)	(91,468)	(22,216)	(34,350)	(9,225)
Total Incomes in Current Period	1,650,865	2,000,548	1,852,071	361,508	548,788
Earnings Attributable to Parent Shareholders	1,747,981	2,092,016	1,874,287	395,858	558,013
Earnings Attributable to Uncontrolled Equity	—	—	—	—	—
Total Comprehensive Incomes Attributable to Parent Shareholders	1,650,865	2,000,548	1,852,071	361,508	548,788
Total Comprehensive Incomes Attributable to Uncontrolled Equity	—	—	—	—	—
Earnings per Share (NTD) (Note3)	1.86	2.22	1.99	0.42	0.59

Note 1: The figures for FY 2017-2021 are audited under IFRSs.

1.2 Materiality that may Affect the Consistency of the Aforementioned Condensed Financial Statements in Comparison, such as Change in Accounting Policy, Corporate Merger, or Discontinuation of Specific Operation Segments, and the Effect on the Financial Statement of Relevant Period: None.

2. Names of External Auditors and Their Opinions in the Last 5 Years

2.1 External Auditors and Their Audit Opinions in the Last 5 Years

Year	Accounting Firm	Name of CPA	Audit Opinion
2017	Deloitte & Touche	Lie-Dong Wu, Done-Yuin Tseng	Unqualified Opinions
2018	Deloitte & Touche	Lie-Dong Wu, Done-Yuin Tseng	Unqualified Opinions
2019	Deloitte & Touche	Lie-Dong Wu, Done-Yuin Tseng	Unqualified Opinions
2020	Deloitte & Touche	Done-Yuin Tseng, Lie-Dong Wu	Unqualified Opinions
2021	Deloitte & Touche	Lie-Dong Wu, Ting-Chien Su	Unqualified Opinions

2.2 If there is a Replacement of the External Auditors in the Last 5 Years, Explanation of the Replacement by the Company, the Former and the Current External Auditors: The replacement of external auditors in 2021 was the result of the internal rotation of duties of the CPA firm.

2.3 If a domestic company has been going public for 7 consecutive years, or a foreign company has been public for 7 consecutive years but the financial statements were audited by the same certified public accountant, explain why there is no replacement of the certified public accountant, the independence of the certified public accountant currently in service, and substantive measures taken by the Company to bolster the independent position of the certified public accountant: None.

3. Financial Analysis in the Last 5 Years

3.1 Comprehensive Analysis of the Consolidated Financial Data of the Last 5 Years –IFRSs:

Fiscal Year Title		Financial Analysis Covering the Last 5 Years					2022Q1
		2017	2018	2019	2020	2021	
Financial Structure (%)	Liabilities to Assets Ratio	61.17	64.50	68.05	68.28	64.84	Note 2
	Long-term Capital to Property, Plant, and Equipment Ratio	195.88	203.18	301.28	236.20	250.60	Note 2
Ability to Pay Debt (%)	Current Ratio	149.02	133.06	165.83	140.62	164.27	Note 2
	Quick Ratio	69.48	75.27	76.39	68.37	76.07	Note 2
	Debt Service Coverage Ratio	20.17	20.89	11.84	3.55	6.04	Note 2
Utility	A/C Turnover Rate (times)	3.22	2.25	1.93	1.75	2.71	Note 2

Year Title		Financial Analysis Covering the Last 5 Years					2022Q1
		2017	2018	2019	2020	2017	
	Average Daily Cash Receipt	113.35	162.22	189.11	208.57	134.68	Note 2
	Inventory Turnover Rate (times)	2.54	2.74	2.38	1.50	1.53	Note 2
	A/P Turnover Ratio (times)	15.69	12.63	13.14	13.97	12.79	Note 2
	Average Days of Sales	143.70	133.21	153.36	243.33	238.56	Note 2
	Property, Plant and Equipment Turnover Rate (times)	3.24	3.30	3.37	2.35	2.53	Note 2
	Total Assets Turnover Rate (times)	0.85	0.76	0.66	0.46	0.55	Note 2
Profitability	Return on Assets (%)	5.70	5.97	4.76	1.19	1.56	Note 2
	Return on Equity (%)	13.72	15.36	12.99	2.75	3.94	Note 2
	EBT to Paid-in Capital Ratio (%)	24.19	28.15	25.17	5.09	7.16	Note 2
	Net Profit Rate (%)	6.34	7.42	6.56	1.88	2.35	Note 2
	EPS (NTD)(Note 3)	1.86	2.22	1.99	0.42	0.59	Note 2
Cash Flow	Cash Flow Ratio (%)	6.64	—	0.07	22.86	27.71	Note 2
	Cash Flow Suitability Ratio (%)	85.39	59.77	50.54	58.45	65.67	Note 2
	Cash Reinvestment Ratio (%)	0.41	—	—	10.22	11.07	Note 2
Leverage	Operation Leverage	1.45	1.56	1.55	8.84	3.90	Note 2
	Financial Leverage	1.04	1.06	1.09	(894.64)	1.37	Note 2

In 2021, the defense business grow steadily, driven by the mass production of advanced jet trainer, and the civilian business benefit from the slowdown of the COVID-19 epidemic, with shipments increase, and resulting in increased revenue and improved financial performance. Reasons for Changes in the Items of Financial Analysis in the Last 2 Years (if the change falls below 20%, no analysis is necessary):

1. Increase in debt service coverage ratio of FY 2021 is due to the increase of EBIT.
2. Increase in A/C turnover rate and decrease in average daily cash receipt of FY 2021, are due to the mass production of advanced jet trainer, and the civilian business benefit from the slowdown of the COVID-19 epidemic, with shipments increase, which resulting in increased revenue.
3. Increased in total assets turnover rate of FY 2021 is due to the increase in defense business and civilian business, and the decrease in average total assets.
4. Increase in ROA of FY 2021 is due to the increase in net profit after tax, and the decrease in average total assets.
5. Increased in return on equity, EBT to paid-in capital ratio, net profit rate and EPS of FY 2021, are due to the mass production of advanced jet trainer, and the civilian business benefit from the

Year Title	Fiscal	Financial Analysis Covering the Last 5 Years					2022Q1
		2017	2018	2019	2020	2017	
slowdown of the COVID-19 epidemic, with shipments increase, which resulting in increased revenue.							
6. Increased in cash flow ratio of FY 2021, is due to the increase in net cash flow from operation, and the decrease in current liabilities.							
7. Decrease in operation leverage and increase in financial leverage of FY 2021, are due to the increase in operating income.							

Note 1: The figures for FY 2017-2021 are the audited figures under IFRSs.

Note 2: Up to the publication of this annual report, Q1 2021 financial statements have not been audited by the CPA, therefore it is not disclosed.

Note 3: Per IAS 33, earnings per share is subject to retroactive adjustment based on the proportion of capital increase out of earnings for all periods presented.

Note 4: The equation for calculation in this sheet:

1. Financial structure
 - (1) Liabilities to assets ratio = total liabilities / total assets
 - (2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant, and equipment
2. Ability to pay debt
 - (1) Current ratio = current assets/ current liabilities
 - (2) Quick ratio = (current assets – inventory – prepaid expenses)/ current liabilities
 - (3) Debt service coverage ratio = EBIT/ interest expenses in current period
3. Utility
 - (1) Receivables (including accounts receivable and note receivable deriving from business operation) turnover rate = net sales/ average receivables (including accounts receivable and notes receivable deriving from business operation) in relevant periods.
 - (2) Average days of cash receipt = 365/account receivable turnover rate
 - (3) Inventory turnover rate = cost of sales/ average inventory
 - (4) Payables (including accounts payable and notes payable deriving from business operation) turnover rate = cost of sales/ balance of average payables (including accounts payables and notes payable deriving from business operation) in relevant periods.
 - (5) Average days of sales = 365 / inventory turnover rate
 - (6) Property, plant and equipment turnover rate = net sales / average net property, plant, and equipment
 - (7) Total assets turnover = net sales / average total assets
4. Profitability
 - (1) Return on assets = [Earnings (loss) net + interest expense x (1-tax rate)]/average total assets
 - (2) Return on equity = Earnings (loss) net / average total equity
 - (3) Net profit rate = Earnings (loss) net / net sales
 - (4) Earnings per share = (incomes attributable to parent shareholders' equity – preferred share dividend) / weighted average quantity of outstanding shares (Note 5)
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operation / current liabilities
 - (2) Net cash flow suitability ratio = net cash flow from operation in the last 5 years / (capital expenditure + increase of inventory + cash dividend) in the last 5 years
 - (3) Cash reinvestment ratio = (net cash flow from operation – cash dividend) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital) (Note 6)
6. Leverage
 - (1) Operation leverage = (net sales – operating variable cost and expense) / operating income (Note 7)
 - (2) Financial leverage = operating income / (operating income – interest expenses)

Note 5: On applying the equation for calculation of the earnings per share, following factors shall be noted:

1. The calculation is based on the weighted average quantity of common shares, not the number of the outstanding issued shares at year end.
2. In the case of capital increased by cash or trade of treasury stock, time of the circulation shall be considered in calculating weighted average shares.
3. In the case of capital increase by earnings recapitalization, on calculating earnings per share for the previous fiscal year and 1/2 fiscal year, the calculation shall be retrospectively adjusted per the ratio of capital increase, not the period of issuance.
4. If the stock is non-convertible cumulative preferred stock, the dividend of the current year (whether distribute or not) shall be deducted from net profit or added to net loss. If the preferred stock is non-cumulative, in the case of net earnings, dividend of the preferred stock shall be deducted from net earnings; no adjustment is required in the case of loss.

Note 6: On cash flow analysis, following factors shall be noted:

1. Net cash flow provided by operating activity refers to the net cash inflow provided by operating activity in the Statement of Cash Flows.

2. Capital expense refers to the cash flow of capital investment each year.
3. Inventory increase shall only be recorded when the amount at the end of the period is greater than that of the beginning of the period; if less, the number 0 shall be recorded.
4. Cash dividend includes cash dividend of common share and preferred share.
5. Gross value of property, plant and equipment refers to the total value of property, plant and equipment before deducting accumulated depreciation.

Note 7: Items of operating cost and operating expense shall be broken into fixed and variable categories. In the event that estimation or subjective judgement is involved, rationality and consistency shall be observed.

3.2 Comprehensive Analysis of the AIDC Individual Company Financial Data of the Last 5 Years—IFRSs:

Fiscal Year Title		Financial Information Covering the Last 5 Years				
		2017	2018	2019	2020	2021
Financial Structure (%)	Liabilities to Assets Ratio	61.13	64.48	68.03	68.27	64.83
	Long-term Capital to Property, Plant and Equipment Ratio	195.90	203.20	301.27	236.20	250.59
Ability to Pay Debt (%)	Current Ratio	149.28	133.01	165.82	140.39	164.03
	Quick Ratio	69.55	75.17	76.29	68.13	75.75
	Debt Service Coverage Ratio	19.52	20.57	11.52	3.16	5.57
Utility	A/C Turnover Rate (times)	3.22	2.25	1.93	1.75	2.71
	Average Daily Cash Receipt	113.35	162.22	189.11	208.57	134.68
	Inventory Turnover Rate (times)	2.54	2.74	2.38	1.50	1.53
	A/P Turnover Ratio (times)	15.70	12.64	13.15	13.99	12.81
	Average Days of Sales	143.70	133.21	153.36	243.33	238.56
	Property, Plant and Equipment Turnover Rate (times)	3.24	3.29	3.37	2.35	2.53
	Total Assets Turnover Rate (times)	0.85	0.76	0.66	0.46	0.55
Profitability	Return on Assets (%)	5.70	5.98	4.77	1.19	1.56
	Return on Equity (%)	13.72	15.36	12.99	2.75	3.94
	Pre-tax Income to Paid-in Capital Ratio (%)	23.37	27.69	24.42	4.31	6.49
	Net Profit Rate (%)	6.34	7.43	6.57	1.88	2.35
	EPS (NTD) (Note 2)	1.86	2.22	1.99	0.42	0.59
Cash Flow	Cash Flow Ratio (%)	6.92	—	0.39	23.29	27.93
	Cash Flow Suitability Ratio (%)	85.61	60.01	51.15	59.49	67.10
	Cash Reinvestment Ratio (%)	0.55	—	—	10.47	11.15
Leverage	Operation Leverage	1.45	1.56	1.56	9.20	3.93
	Financial Leverage	1.04	1.06	1.09	(20.96)	(1.37)

Year Title	Fiscal	Financial Information Covering the Last 5 Years				
		2017	2018	2019	2020	2021
In 2021, the defense business grows steadily, driven by the mass production of advanced jet trainer, and the civilian business benefit from the slowdown of the COVID-19 epidemic, with shipments increase, and resulting in increased revenue and improved financial performance. Reasons for Changes in the Items of Financial Analysis in the Last 2 Years (if the change falls below 20%, no analysis is necessary):						
1. Increase in debt service coverage ratio of FY 2021 is due to the increase of EBIT.						
2. Increase in A/C turnover rate and decrease in average daily cash receipt of FY 2021, are due to the mass production of advanced jet trainer, and the civilian business benefit from the slowdown of the COVID-19 epidemic, with shipments increase, which resulting in increased revenue.						
3. Increased in total assets turnover rate of FY 2021 is due to the increase in defense business and civilian business, and the decrease in average total assets.						
4. Increase in ROA of FY 2021 is due to the increase in net profit after tax, and the decrease in average total assets.						
5. Increased in return on equity, EBT to paid-in capital ratio, net profit rate and EPS of FY 2021, are due to the mass production of advanced jet trainer, and the civilian business benefit from the slowdown of the COVID-19 epidemic, with shipments increase, which resulting in increased revenue.						
6. Increased in cash flow ratio of FY 2021, is due to the increase in net cash flow from operation, and the decrease in current liabilities.						
7. Decrease in operation leverage and increase in financial leverage of FY 2021, are due to the increase in operating income.						

Note 1: The figures from FY 2017-2021 are audited under IFRSs.

Note 2: Per IAS 33, earnings per share is subject to retroactive adjustment based on the proportion of capital increase out of earnings for all periods presented.

Note 3: The equation for calculation in this sheet:

1. Financial structure
 - (1) Liabilities to assets ratio = total liabilities / total assets
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4. Profitability
 - (1) Return on assets = [Earnings (loss) net + interest expense x (1-tax rate)] / average total assets
 - (2) Return on equity = Earnings (loss) net / average total equity
 - (3) Net profit rate = Earnings (loss) net / net sales
 - (4) Earnings per share = (incomes attributable to parent shareholders' equity – preferred share dividend) / weighted average quantity of outstanding shares (note 4)
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operation / current liabilities
 - (2) Net cash flow suitability ratio = net cash flow from operation in the last 5 years / (capital expenditure + increase of inventory + cash dividend) in the last 5 years
 - (3) Cash reinvestment ratio = (net cash flow from operation – cash dividend) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital) (note 5)
6. Leverage
 - (1) Operation leverage = (net sales – change in cost of operation and expense) / operating income (note

6)

(2) Financial leverage = operating income / (operating income – interest expenses)

Note 4: On applying the equation for calculation of the earnings per share, following factors shall be noted:

1. The calculation is based on the weighted average quantity of common shares, not the number of the outstanding issued shares at year end.
2. In the case of capital increased by cash or trade of treasury stock, time of the circulation shall be considered in calculating weighted average shares.
3. In the case of capital increase by earnings recapitalization, on calculating earnings per share for the previous fiscal year and 1/2 fiscal year, the calculation shall be retrospectively adjusted per the ratio of capital increase, not the period of issuance.
4. If the stock is non-convertible cumulative preferred stock, the dividend of the current year (whether distributed or not) shall be deducted from net profit or added to net loss. If the preferred stock is non-cumulative, in the case of net earnings, dividend of the preferred stock shall be deducted from net earnings; no adjustment is required in the case of loss.

Note 5: On cash flow analysis, following factors shall be noted:

1. Net cash flow provided by operating activity refers to the net cash inflow provided by operating activity in the Statement of Cash Flows.
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3. Inventory increase shall only be recorded when the amount at the end of the period is greater than that of the beginning of the period; if less, the number 0 shall be recorded.
4. Cash dividend includes cash dividend of common share and preferred share.
5. Gross value of property, plant and equipment refers to the total value of property, plant and equipment before deducting accumulated depreciation.

Note 6: Items of operating cost and operating expense shall be broken into fixed and variable categories. In the event that estimation or subjective judgement is involved, rationality and consistency shall be observed.

4. Audit Committee Review Report on the Financial Statements of Previous Year

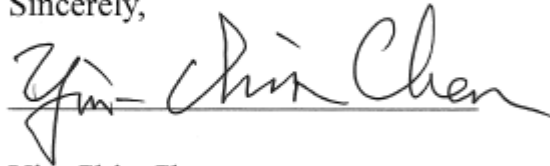
Date: March 28, 2022

To: Aerospace Industrial Development Corporation
2022 Annual Shareholders' Meeting
Subject: Audit Committee Review Report

Dear Valued Shareholders,

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche Tohmatsu was retained to audit AIDC's Financial Statements and has issued an audit report relating to Financial Statements. The Business Report, Financial Statements, and proposal for allocation of profits have been reviewed and determined to be correct and accurate by the Audit Committee of Aerospace Industrial Development Corporation. According to Article 219 of the Company Law and Article 14-4 of the Securities and Exchange Act, I hereby submit this report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Yin-Chin Chen', written over a horizontal line.

Yin-Chin Chen
Chairman of the Audit Committee

5. Audited Consolidated Financial Statements of the Previous Year

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Aerospace Industrial Development Corporation

Opinion

We have audited the accompanying consolidated financial statements of Aerospace Industrial Development Corporation and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2021 is stated as follows:

Impairment loss of inventory

The Group assesses the impairment of inventory by identifying raw materials individually. The Group's assessment of impairment loss of raw materials was based on current market condition and future consumption in accordance with IAS 2. Refer to Notes 5 and 9 to the consolidated financial statements for the relevant accounting policies, accounting judgments and estimation uncertainties, and other information. The assessment of impairment loss of raw materials involves management's critical judgment; therefore, we considered the impairment of inventory as a key audit matter. Our key audit procedures performed in regard to the impairment assessment included the following:

1. We selected samples of the inventory aging report and tested the completeness and accuracy of the inventory.
2. We selected samples of raw materials that were over 1 year, which were not recognized as obsolete, and confirmed the reasonableness of not recognizing the raw materials' obsolescence.
3. We tested the net realizable value of raw materials which were not recognized as obsolete and selected samples and calculated the allowance for impairment loss.

Other Matter

We have also audited the parent company only financial statements of Aerospace Industrial Development Corporation as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Lie-Dong Wu and Ting-Chien Su.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 28, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARYSUBSIDIARY

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	December 31			
	2021		2020	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,312,656	8	\$ 4,587,565	11
Contract assets - current (Notes 4 and 23)	530,666	1	954,090	2
Notes receivable (Notes 4 and 8)	16,203	-	48,561	-
Trade receivables from unrelated parties (Notes 4 and 8)	8,398,245	21	8,763,922	20
Trade receivables from related parties (Notes 4 and 29)	138,244	-	101,332	-
Other receivables (Notes 4)	3,417	-	11,655	-
Current tax assets	4,941	-	20,267	-
Inventories (Notes 4, 5 and 9)	11,955,772	30	12,196,505	28
Other financial assets - current (Notes 4, 15 and 30)	15,382	-	33,021	-
Other current assets (Notes 4, 16, and 29)	<u>2,409,895</u>	<u>6</u>	<u>3,077,685</u>	<u>7</u>
Total current assets	<u>26,785,421</u>	<u>66</u>	<u>29,794,603</u>	<u>68</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	46,883	-	49,928	-
Investments accounted for using the equity method (Notes 4 and 11)	1,134,885	3	976,879	2
Property, plant and equipment (Notes 4, 12, 24 and 30)	9,413,000	23	9,297,868	21
Right-of-use assets (Notes 3, 4 and 13)	1,703,931	4	1,815,293	4
Intangible assets (Notes 4 and 14)	906,575	2	1,156,391	3
Deferred tax assets (Notes 4 and 25)	307,626	1	319,835	1
Prepayments for equipment (Note 24)	278,858	1	472,268	1
Net defined benefit assets - non-current (Notes 4 and 21)	38,732	-	6,533	-
Other financial assets - non-current (Notes 4, 15 and 30)	41,753	-	47,841	-
Other non-current assets (Notes 4, 8 and 16)	<u>90,228</u>	<u>-</u>	<u>86,861</u>	<u>-</u>
Total non-current assets	<u>13,962,471</u>	<u>34</u>	<u>14,229,697</u>	<u>32</u>
TOTAL	<u>\$ 40,747,892</u>	<u>100</u>	<u>\$ 44,024,300</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 1,200,000	3	\$ 3,710,000	9
Short-term bills payable (Note 17)	8,636,928	21	11,696,287	27
Contract liabilities (Note 4 and 23)	1,516,535	4	1,480,736	3
Trade payables to unrelated parties	1,987,802	5	1,232,686	3
Trade payables to related parties (Note 29)	110,937	-	101,685	-
Other payables (Notes 19 and 29)	2,642,297	7	2,699,823	6
Current tax liabilities (Notes 4 and 25)	68,360	-	61,401	-
Lease liabilities - current (Notes 3, 4 and 13)	102,769	-	103,630	-
Other current liabilities	<u>39,964</u>	<u>-</u>	<u>100,842</u>	<u>-</u>
Total current liabilities	<u>16,305,592</u>	<u>40</u>	<u>21,187,090</u>	<u>48</u>
NON-CURRENT LIABILITIES				
Bonds payable (Note 18)	6,443,779	16	2,997,014	7
Long-term borrowings (Note 17)	1,180,000	3	3,260,000	7
Provisions - non-current (Notes 4 and 20)	414,658	1	442,175	1
Non-current tax liabilities (Notes 4 and 25)	30,700	-	92,101	-
Deferred tax liabilities (Notes 4 and 25)	204,887	1	157,145	-
Lease liabilities - non-current (Notes 3, 4 and 13)	1,640,924	4	1,740,938	4
Long-term deferred revenue (Note 4)	8,564	-	3,856	-
Guarantee deposits	<u>194,101</u>	<u>-</u>	<u>179,709</u>	<u>1</u>
Total non-current liabilities	<u>10,117,613</u>	<u>25</u>	<u>8,872,938</u>	<u>20</u>
Total liabilities	<u>26,423,205</u>	<u>65</u>	<u>30,060,028</u>	<u>68</u>
EQUITY				
Ordinary shares	9,418,671	23	9,418,671	21
Retained earnings				
Legal reserve	1,143,477	3	1,098,424	3
Special reserve	2,020,291	5	1,931,264	4
Unappropriated earnings	1,896,068	4	1,634,749	4
Other equity	<u>(153,820)</u>	<u>-</u>	<u>(118,836)</u>	<u>-</u>
Total equity	<u>14,324,687</u>	<u>35</u>	<u>13,964,272</u>	<u>32</u>
TOTAL	<u>\$ 40,747,892</u>	<u>100</u>	<u>\$ 44,024,300</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
SALES (Notes 4, 23 and 29)	\$ 23,734,566	100	\$ 21,042,937	100
COST OF GOODS SOLD (Notes 9, 24 and 29)	<u>21,963,093</u>	<u>93</u>	<u>19,640,836</u>	<u>93</u>
GROSS PROFIT	<u>1,771,473</u>	<u>7</u>	<u>1,402,101</u>	<u>7</u>
OPERATING EXPENSES (Notes 24 and 29)				
Selling and marketing expenses	160,989	1	115,566	1
General and administrative expenses	575,681	2	597,985	3
Research and development expenses	544,242	2	516,700	2
Expected credit gain (Notes 4 and 8)	<u>(780)</u>	<u>-</u>	<u>(7,974)</u>	<u>-</u>
Total operating expenses	<u>1,280,132</u>	<u>5</u>	<u>1,222,277</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>491,341</u>	<u>2</u>	<u>179,824</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 24)	601,754	3	750,132	4
Other gains and losses (Notes 4 and 24)	(534,462)	(2)	(552,757)	(3)
Share of profit of associates (Note 4)	246,315	1	241,233	1
Interest income	2,991	-	41,216	-
Finance costs (Notes 4 and 24)	<u>(133,243)</u>	<u>(1)</u>	<u>(180,025)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>183,355</u>	<u>1</u>	<u>299,799</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	674,696	3	479,623	2
INCOME TAX EXPENSE (Notes 4 and 25)	<u>116,683</u>	<u>1</u>	<u>83,765</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>558,013</u>	<u>2</u>	<u>395,858</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	25,759	-	54,677	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	<u>(3,045)</u>	<u>-</u>	<u>(37,406)</u>	<u>-</u>

(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (31,939)	-	\$ (51,621)	-
Other comprehensive loss for the year, net of income tax	(9,225)	-	(34,350)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 548,788	2	\$ 361,508	2
EARNINGS PER SHARE (Note 26)				
Basic	\$ 0.59		\$ 0.42	
Diluted	\$ 0.59		\$ 0.42	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company				Other Equity (Note 4)		
	Ordinary Shares (Note 22)	Retained Earnings (Note 22)			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized gain (loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive Income	Total Equity
		Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2020	\$ 9,418,671	\$ 909,345	\$ 2,522,475	\$ 1,902,904	\$ (37,943)	\$ 8,134	\$ 14,723,586
Appropriation of 2019 earnings							
Legal reserve	-	189,079	-	(189,079)	-	-	-
Special reserve	-	-	(591,211)	591,211	-	-	-
Cash dividends distributed by the Company	-	-	-	(1,120,822)	-	-	(1,120,822)
Profit for the year ended December 31, 2020	-	-	-	395,858	-	-	395,858
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	54,677	(51,621)	(37,406)	(34,350)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	450,535	(51,621)	(37,406)	361,508
BALANCE AT DECEMBER 31, 2020	9,418,671	1,098,424	1,931,264	1,634,749	(89,564)	(29,272)	13,964,272
Appropriation of 2020 earnings							
Legal reserve	-	45,053	-	(45,053)	-	-	-
Special reserve	-	-	89,027	(89,027)	-	-	-
Cash dividends distributed by the Company	-	-	-	(188,373)	-	-	(188,373)
Profit for the year ended December 31, 2021	-	-	-	558,013	-	-	558,013
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	25,759	(31,939)	(3,045)	(9,225)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	583,772	(31,939)	(3,045)	548,788
BALANCE AT DECEMBER 31, 2021	\$ 9,418,671	\$ 1,143,477	\$ 2,020,291	\$ 1,896,068	\$ (121,503)	\$ (32,317)	\$ 14,324,687

The accompanying notes are an integral part of the consolidated financial statements.

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 674,696	\$ 479,623
Adjustments for:		
Depreciation expense	1,225,158	1,090,238
Amortization expense	218,956	339,940
Expected credit gain	(780)	(7,974)
Finance costs	133,243	180,025
Interest income	(2,991)	(41,216)
Dividend income	(123)	(111)
Share of profit of associates	(246,315)	(241,233)
Loss (gain) on disposal of property, plant and equipment	(616)	21
Impairment loss recognized on non-financial assets	400,004	267,345
Unrealized net loss on foreign currency exchange	8,936	47,887
Recognition (reversal) of provisions	7,222	(72,336)
Other income from liabilities	(13,612)	(2,168)
Benefits from lease modification	(24,025)	(24,069)
Net changes in operating assets and liabilities		
Contract assets	423,424	325,624
Notes receivable	32,358	(42,924)
Trade receivables	314,868	3,911,255
Other receivables	6,429	65,077
Inventories	11,012	(2,638,183)
Other current assets	661,257	1,515,966
Contract liabilities	35,799	896,617
Trade payables	767,171	(139,964)
Other payables	139,079	(875,180)
Other current liabilities	(47,576)	57,490
Deferred income	4,708	3,577
Cash generated from operations	4,728,282	5,095,327
Interest received	4,800	46,402
Interest paid	(111,383)	(159,576)
Income tax paid	(102,288)	(137,310)
Net cash generated from operating activities	<u>4,519,411</u>	<u>4,844,843</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments accounted for using the equity method	-	(50,000)
Payments for property, plant and equipment	(1,038,670)	(1,566,946)
Proceeds from disposal of property, plant and equipment	680	-
Increase in refundable deposits	(38,589)	(76,673)
Decrease in refundable deposits	45,226	51,448
Payments for intangible assets	(150,545)	(236,777)
		(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Decrease in other financial assets	\$ 23,770	\$ 2,870,196
Increase in other non-current assets	(10,287)	(27,123)
Increase in prepayments for equipment	(208,614)	(151,457)
Dividends received	<u>57,947</u>	<u>103,083</u>
Net cash generated from (used in) investing activities	<u>(1,319,082)</u>	<u>915,751</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	21,125,000	39,042,244
Repayments of short-term borrowings	(23,635,000)	(40,252,244)
Proceeds from short-term bills payable	67,310,050	79,086,586
Repayments of short-term bills payable	(70,369,409)	(75,747,554)
Proceeds from bonds payable	3,445,585	-
Proceeds from long-term borrowings	25,203,000	31,438,000
Repayments of long-term borrowings	(27,283,000)	(34,106,299)
Proceeds of guarantee deposits received	118,735	103,677
Refund of guarantee deposits	(104,343)	(138,359)
Repayment of the principal portion of lease liabilities	(96,018)	(110,216)
Cash dividends distributed	<u>(188,373)</u>	<u>(1,120,822)</u>
Net cash used in financing activities	<u>(4,473,773)</u>	<u>(1,804,987)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(1,465)</u>	<u>(2,182)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,274,909)	3,953,425
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,587,565</u>	<u>634,140</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,312,656</u>	<u>\$ 4,587,565</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Aerospace Industrial Development Corporation (the “Company”) was a state-owned enterprise formed by the Ministry of Economic Affairs on July 1, 1996 from Aero Industry Development Center, Chung-Shan Institute of Science and six other state-owned enterprises. The Company and its subsidiary (collectively referred to as the “Group”) mainly engage in business categories as follows: design, manufacture, assembly, testing and maintenance of aircraft, engines, avionics and related components; consulting services and technology transfers of aerospace technology, logistical support and engineering technology management of large-scale projects; engineering and development of software and sales of aerospace products.

In July 2001, the initial public offering of the Company was approved by the Securities and Futures Commission (renamed as Securities and Futures Bureau of the Financial Supervisory Commission (FSC) of the Republic of China (ROC)). On September 13, 2013, in accordance with Rule No. 1020055531, the Company started its privatization process. On August 25, 2014, the Company was listed on the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 28, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and

- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 10 and Table 5 for the detailed information on subsidiaries (including the percentage of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the entities in the Group (including subsidiaries, in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars. Income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Raw materials and supplies are recorded at moving weighted-average cost and work-in-process items are recorded at standard cost but adjusted to weighted-average cost on the balance sheet date.

g. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. The Group also recognizes the changes in the Group's share of equity of associates.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of the investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associates are recognized by the Group in its consolidated financial statements only to the extent of interests in the associates that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, trade receivables, overdue receivables, other receivables, other financial assets and refundable deposits are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii) Financial asset that has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables and overdue receivables), as well as contract assets.

The Group always recognizes lifetime Expected Credit Loss (ECL) for trade receivables, overdue receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

l. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provision for the expected cost of warranty obligations is recognized at the date of sale of the relevant products, at the Group's best estimate of the expenditure required to settle the obligation.

m. Revenue recognition

The Group identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

For the considerations that have been received from customers, the obligation to transfer goods or services to customers is recognized as a contract liability.

As the Group provides manufacturing or maintenance services, customers simultaneously receive the benefits with no alternative use to the Group. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Revenue and contract assets are recognized during the progress and are reclassified to trade receivables at a point in time when transferring goods or services to the customers.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of aerospace goods. When the goods are shipped or delivered to the customer's specific location, the customer has full discretion over the manner of utilization and bears the risk of the goods. Trade receivables and revenue are recognized concurrently.

2) Revenue from rendering of services

Revenue from rendering of services comes from aircraft maintenance, logistics management and industrial technology services.

n. Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions lease contracts and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and recognized in profit or loss on a systematic and rational basis over the useful lives of the related assets.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit asset represents the actual surplus in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred tax as are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of Inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand and petty cash	\$ -	\$ 412
Checking accounts and demand deposits	2,812,912	1,738,158
Cash equivalents		
Time deposits with original maturities of three months or less	-	2,848,995
Repurchase agreements collateralized by bills	<u>499,744</u>	<u>-</u>
	<u>\$ 3,312,656</u>	<u>\$ 4,587,565</u>
<u>Rates of bank balance (%)</u>		
Demand deposits	0.00-0.20	0.00-0.24
Time deposits	-	0.25-0.28
Repurchase agreements collateralized by bills	0.25	-

7. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

	December 31	
	2021	2020
<u>Emerging marked shares</u>		
UHT Unitech Co Ltd. (UHT Ltd.)	<u>\$ 12,705</u>	<u>\$ 16,731</u>
<u>Unlisted ordinary shares</u>		
Aerovision Avionics Inc. (AAI)	32,016	31,037
Metro Consulting Service Ltd. (Metro Ltd.)	<u>2,162</u>	<u>2,160</u>
	<u>34,178</u>	<u>33,197</u>
	<u>\$ 46,883</u>	<u>\$ 49,928</u>

These investments in equity instruments are held for medium- to long-term strategic purposes and expect to earn profits from long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2021	2020
Notes receivable	<u>\$ 16,203</u>	<u>\$ 48,561</u>
<u>Trade receivables from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 8,398,365	\$ 8,765,624
Less: Allowance for impairment loss	<u>(120)</u>	<u>(1,702)</u>
	<u>\$ 8,398,245</u>	<u>\$ 8,763,922</u>

The Group's customers are mostly national defense organizations and international aerospace corporations. The international aerospace corporations' average credit period of sales of goods is 60 to 120 days in average. Trade receivables from government depends on budget allocation. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group uses the lifetime expected loss provision for all trade receivables to providing for expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable, trade receivables and overdue receivables (accounted as other non-current assets):

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
<u>December 31, 2021</u>						
Expected credit loss rate	0%	2%	5%	50%	100%	
Gross carrying amount	\$ 8,409,628	\$ 4,234	\$ 706	\$ 6,954	\$ 6,285	\$ 8,427,807
Loss allowance (Lifetime ECL)	<u>-</u>	<u>(85)</u>	<u>(35)</u>	<u>(3,477)</u>	<u>(6,285)</u>	<u>(9,882)</u>
Amortized cost	<u>\$ 8,409,628</u>	<u>\$ 4,149</u>	<u>\$ 671</u>	<u>\$ 3,477</u>	<u>\$ -</u>	<u>\$ 8,417,925</u>

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
<u>December 31, 2020</u>						
Expected credit loss rate	0%	2%	5%	50%	100%	
Gross carrying amount	\$ 8,750,248	\$ 49,815	\$ 14,122	\$ 709	\$ 8,605	\$ 8,823,499
Loss allowance (Lifetime ECL)	-	(996)	(706)	(355)	(8,605)	(10,662)
Amortized cost	<u>\$ 8,750,248</u>	<u>\$ 48,819</u>	<u>\$ 13,416</u>	<u>\$ 354</u>	<u>\$ -</u>	<u>\$ 8,812,837</u>

The movements of the loss allowance of trade receivables and overdue receivables were as follows:

	<u>For the Year Ended December 31, 2021</u>	
	<u>Trade receivables</u>	<u>Overdue receivables</u>
Balance at January 1, 2021	\$ 1,702	\$ 8,960
Impairment loss recognized (reversed)	(1,582)	802
Balance at December 31, 2021	<u>\$ 120</u>	<u>\$ 9,762</u>
	<u>For the Year Ended December 31, 2020</u>	
	<u>Trade receivables</u>	<u>Overdue receivables</u>
Balance at January 1, 2020	\$ 4,430	\$ 14,700
Impairment loss reversed	(2,728)	(5,246)
Amounts written-off	-	(494)
Balance at December 31, 2020	<u>\$ 1,702</u>	<u>\$ 8,960</u>

9. INVENTORIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Raw materials	\$ 7,454,717	\$ 7,768,439
Work in progress	4,198,785	4,428,066
Inventory in transit	<u>302,270</u>	<u>-</u>
	<u>\$ 11,955,772</u>	<u>\$ 12,196,505</u>

The cost of inventories recognized as cost of goods sold was as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Recognition of inventory write-downs	\$ 194,982	\$ 224,670
Loss on disposal of inventories	48,524	66,836
Indemnity income	(13,817)	(143,880)
Income from sales of scraps	(18,492)	(17,877)

10. SUBSIDIARY

Subsidiary included in consolidated financial statements:

Investor	Investee	<u>% of Ownership December 31</u>	
		<u>2021</u>	<u>2020</u>
The Company	AIDC USA LLC (AIDC USA)	100	100

For the main businesses of AIDC USA, refer to Table 5.

The subsidiary included in consolidated financial statements is an immaterial subsidiary, and the financial statements have been audited.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>			
	<u>2021</u>	<u>% of Ownership</u>	<u>2020</u>	<u>% of Ownership</u>
	<u>Amount</u>		<u>Amount</u>	
<u>Investment in associate</u>				
International Turbine Engine Company LLC (ITEC)	\$ 1,123,975	22.05	\$ 948,636	22.05
Jung Sheng Precision IND Co., Ltd. (JSPCO)	<u>10,910</u>	31.25	<u>28,243</u>	31.25
	<u>\$ 1,134,885</u>		<u>\$ 976,879</u>	

The investment of JSPCO were approved by the board of directors of the Company on December 20, 2019. In January 2020, the Company invested NT\$50,000 thousand and acquired 34.48% ownership of JSPCO. On March 20, 2020, the board of directors of JSPCO approved the cash injection to issue 1,500 thousand shares and the subscription base date was May 31, 2020. The Company did not participate in this subscription. Therefore, the Company's ownership interest in JSPCO was decreased to 31.25%.

Refer to "Table 5: Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associates.

The investments accounted for using the equity method and the share of profit or loss of the associate were based on the associates' financial statements which have been audited for the same years.

12. PROPERTY, PLANT AND EQUIPMENT

	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Property in Construction	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 120,739	\$ 6,622,514	\$ 14,471,927	\$ 766,349	\$ 910,541	\$ -	\$ 22,892,070
Additions	1,121	24,891	797,850	1,028	10,683	-	835,573
Disposals	-	-	(58,008)	(1,470)	(2,192)	-	(61,670)
Reclassification	-	-	402,448	-	-	-	402,448
Effects of foreign currency exchange differences	-	-	(4)	(19)	(5)	-	(28)
Balance at December 31, 2021	<u>\$ 121,860</u>	<u>\$ 6,647,405</u>	<u>\$ 15,614,213</u>	<u>\$ 765,888</u>	<u>\$ 919,027</u>	<u>\$ -</u>	<u>\$ 24,068,393</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ 117,429	\$ 3,200,371	\$ 9,135,724	\$ 679,111	\$ 461,567	\$ -	\$ 13,594,202
Depreciation expense	796	175,131	863,466	22,093	61,333	-	1,122,819
Disposals	-	-	(57,944)	(1,470)	(2,192)	-	(61,606)
Effects of foreign currency exchange differences	-	-	(1)	(16)	(5)	-	(22)
Balance at December 31, 2021	<u>\$ 118,225</u>	<u>\$ 3,375,502</u>	<u>\$ 9,941,245</u>	<u>\$ 699,718</u>	<u>\$ 520,703</u>	<u>\$ -</u>	<u>\$ 14,655,393</u>
Carrying amount at January 1, 2021	<u>\$ 3,310</u>	<u>\$ 3,422,143</u>	<u>\$ 5,336,203</u>	<u>\$ 87,238</u>	<u>\$ 448,974</u>	<u>\$ -</u>	<u>\$ 9,297,868</u>
Carrying amount at December 31, 2021	<u>\$ 3,635</u>	<u>\$ 3,271,903</u>	<u>\$ 5,672,968</u>	<u>\$ 66,170</u>	<u>\$ 398,324</u>	<u>\$ -</u>	<u>\$ 9,413,000</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 120,739	\$ 5,964,984	\$ 13,524,424	\$ 732,376	\$ 806,114	\$ 277,983	\$ 21,426,620
Additions	-	391,465	987,201	63,536	103,418	-	1,545,620
Disposals	-	-	(235,461)	(37,768)	(2,032)	-	(275,261)
Reclassification	-	266,065	195,769	8,267	3,051	(277,983)	195,169
Effects of foreign currency exchange differences	-	-	(6)	(62)	(10)	-	(78)
Balance at December 31, 2020	<u>\$ 120,739</u>	<u>\$ 6,622,514</u>	<u>\$ 14,471,927</u>	<u>\$ 766,349</u>	<u>\$ 910,541</u>	<u>\$ -</u>	<u>\$ 22,892,070</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ 116,663	\$ 3,021,560	\$ 8,617,339	\$ 694,164	\$ 408,476	\$ -	\$ 12,858,202
Depreciation expense	766	178,811	753,828	22,767	55,131	-	1,011,303
Disposals	-	-	(139,983)	(37,768)	(2,032)	-	(179,783)
Impairment losses reversed	-	-	(95,457)	-	-	-	(95,457)
Effects of foreign currency exchange differences	-	-	(3)	(52)	(8)	-	(63)
Balance at December 31, 2020	<u>\$ 117,429</u>	<u>\$ 3,200,371</u>	<u>\$ 9,135,724</u>	<u>\$ 679,111</u>	<u>\$ 461,567</u>	<u>\$ -</u>	<u>\$ 13,594,202</u>
Carrying amount at January 1, 2020	<u>\$ 4,076</u>	<u>\$ 2,943,424</u>	<u>\$ 4,907,085</u>	<u>\$ 38,212</u>	<u>\$ 397,638</u>	<u>\$ 277,983</u>	<u>\$ 8,568,418</u>
Carrying amount at December 31, 2020	<u>\$ 3,310</u>	<u>\$ 3,422,143</u>	<u>\$ 5,336,203</u>	<u>\$ 87,238</u>	<u>\$ 448,974</u>	<u>\$ -</u>	<u>\$ 9,297,868</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets:

Land improvements	2-50 years
Buildings	
Main buildings	20-45 years
Others	3-60 years
Machinery and equipment	2-40 years
Transportation equipment	2-15 years
Other equipment	2-35 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 30.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amount</u>		
Land	\$ 1,687,345	\$ 1,797,200
Buildings	3,388	5,792
Machinery and equipment	5,426	9,001
Transportation equipment	1,816	486
Other equipment	<u>5,956</u>	<u>2,814</u>
	<u>\$ 1,703,931</u>	<u>\$ 1,815,293</u>
<u>For the Year Ended December 31</u>		
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 12,254</u>	<u>\$ 407</u>
Depreciation charge for right-of-use assets		
Land	\$ 102,402	\$ 102,647
Buildings	6,113	6,196
Machinery and equipment	3,575	3,574
Transportation equipment	557	513
Other equipment	<u>3,375</u>	<u>3,433</u>
	<u>\$ 116,022</u>	<u>\$ 116,363</u>

b. Lease liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amount</u>		
Current	<u>\$ 102,769</u>	<u>\$ 103,630</u>
Non-current	<u>\$ 1,640,924</u>	<u>\$ 1,740,938</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Land	1.6%	1.6%
Buildings	1.6%-5%	1.6%-5%
Machinery and equipment	1.6%	1.6%
Transportation equipment	1.99%-3.39%	3.14%-3.39%
Other equipment	1.6%	1.6%

c. Material lease-in activities and terms

The Group leases land and buildings for the use of plants and office spaces with lease terms of 2 to 42 years.

The Group leased a land located in Xitun District, Taichung City. After the re-measurement, some parts of the land were actually outside the scope of the Company, so the leased area was reduced and the lease agreement was revised. The lease period of the land is from January 1, 2021 to December 31, 2027. In addition, the Group leased a land located in Shalu factory, Taichung City. The rental amount was adjusted for any changes based on the announcement of the land price and re-measurement of the leased area. The lease period of the land is from January 1, 2021 to December 31, 2056.

The Group negotiated with National Property Administration, Ministry of Finance (NPA) on rent concessions for land lease. The NPA agreed to provide unconditional 20% rent reduction from January 1, 2021 to June 30, 2022, and from January 1, 2020 to December 31, 2020, and deferral of rentals for January 1, 2021 to June 30, 2021, and January 1, 2020 to September 30, 2020, with the amount payable of September 30, 2021 and December 30, 2020. The Group recognized rent concessions of NT\$24,025 thousand and NT\$24,069 thousand in profit or loss for the years ended December 31, 2021 and 2020, respectively.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ 13,788	\$ 40,111
Expenses relating to low-value asset leases	\$ 732	\$ 1,576
Total cash outflow for leases	\$ (110,538)	\$ (151,903)

The Group's leases of certain buildings, machinery and equipment and transportation equipment qualify as short-term leases, and certain machinery and equipment, transportation equipment and other equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. INTANGIBLE ASSETS

	December 31	
	2021	2020
<u>Other intangible assets</u>		
Computer software	\$ 42,003	\$ 69,824
Deferred technical cooperation expenses	48,779	17,773
Patent	1,151	1,235
Trademark	112	90
	92,045	88,922
<u>Intangible assets in development</u>		
Non-recurring costs of projects	814,530	1,067,469
	<u>\$ 906,575</u>	<u>\$ 1,156,391</u>

	Other Intangible Assets	Intangible Assets in Development
<u>Cost</u>		
Balance at January 1, 2021	\$ 1,102,527	\$ 6,968,839
Additions from internal developments	-	111,085
Additions	55,400	-
Disposals	(5,939)	(42,090)
Effects of foreign currency exchange differences	(3)	-
Balance at December 31, 2021	<u>\$ 1,151,985</u>	<u>\$ 7,037,834</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1, 2021	\$ 1,013,605	\$ 5,901,370
Amortization expense	52,275	159,002
Disposals	(5,939)	(42,090)
Impairment losses recognized	-	205,022
Effects of foreign currency exchange differences	(1)	-
Balance at December 31, 2021	<u>\$ 1,059,940</u>	<u>\$ 6,223,304</u>
Carrying amount at December 31, 2021	<u>\$ 92,045</u>	<u>\$ 814,530</u>
<u>Cost</u>		
Balance at January 1, 2020	\$ 1,093,902	\$ 6,690,953
Additions from internal developments	-	268,446
Additions	14,656	-
Disposals	(6,171)	(412)
Reclassification	146	9,852
Effects of foreign currency exchange differences	(6)	-
Balance at December 31, 2020	<u>\$ 1,102,527</u>	<u>\$ 6,968,839</u>
<u>Accumulated amortization and impairment</u>		
Balance at January 1, 2020	\$ 947,423	\$ 5,590,462
Amortization expense	72,354	268,645
Disposals	(6,171)	(412)
Impairment losses recognized	-	42,675
Effects of foreign currency exchange differences	(1)	-
Balance at December 31, 2020	<u>\$ 1,013,605</u>	<u>\$ 5,901,370</u>
Carrying amount at December 31, 2020	<u>\$ 88,922</u>	<u>\$ 1,067,469</u>

Non-recurring costs of projects include the costs related to product design, tooling design and fabrication, production planning, specimen and prototype trial fabrication. Deferred technical cooperation expenses include the participation fees or royalties for participation in international cooperation and development of new business. The amounts were allocated by the proportion of actual sales volume divided by expected sales volume.

Due to the impact of COVID-19 and change in the global consumer market demand for aircraft/vehicle maintenance, the Group estimated that expected future cash flows from non-recurring costs of projects have decreased. The Group carried out a review of the recoverable amount of non-recurring costs of projects and determined that the carrying amount exceeded the recoverable amount. The review led to the recognition of an impairment loss of \$205,022 thousand and \$42,675 thousand for the years ended December 31, 2021 and 2020, respectively. The Group adopts value in use as the recoverable amount of this intangible assets in development. This impairment loss is included in other gains and losses in the statements of profit or loss.

The above items of intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets:

Trademark	10-25 years
Patent	10-20 years
Computer software	2-3 years

15. OTHER FINANCIAL ASSETS

Other financial assets are time deposits with original maturities over three months from the date of acquisition; for pledged assets information, refer to Note 30. The market rates of the time deposits for the years ended December 31, 2021 and 2020 were both 0.18%-1.065%.

16. OTHER ASSETS

	December 31	
	2021	2020
<u>Current</u>		
Prepayment	\$ 2,282,807	\$ 2,891,262
Others	<u>127,089</u>	<u>186,423</u>
	<u>\$ 2,409,896</u>	<u>\$ 3,077,685</u>
<u>Non-current</u>		
Overdue receivables (Note 8)	\$ 13,239	\$ 9,314
Less: Allowance for impairment loss	<u>(9,762)</u>	<u>(8,960)</u>
	3,477	354
Refundable deposits	53,643	60,283
Others	<u>33,108</u>	<u>26,224</u>
	<u>\$ 90,228</u>	<u>\$ 86,861</u>

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Credit borrowings	<u>\$ 1,200,000</u>	<u>\$ 3,710,000</u>
Rate of interest per annum (%)	0.514-0.670	0.513-0.715

b. Short-term bills payable

	December 31	
	2021	2020
Commercial paper	\$ 8,640,000	\$ 11,700,000
Less: Unamortized discount on bills payable	<u>(3,072)</u>	<u>(3,713)</u>
	<u>\$ 8,636,928</u>	<u>\$ 11,696,287</u>
Rate of interest per annum (%)	0.36-0.43	0.26-0.36

c. Long-term borrowings

	December 31	
	2021	2020
Credit borrowings	<u>\$ 1,180,000</u>	<u>\$ 3,260,000</u>
Rate of interest per annum (%)	0.68-0.75	0.65-0.94

18. BONDS PAYABLE

	December 31	
	2021	2020
Unsecured domestic bonds	\$ 6,450,000	\$ 3,000,000
Less: Unamortized discount on bonds payable	<u>(6,221)</u>	<u>(2,986)</u>
	<u>\$ 6,443,779</u>	<u>\$ 2,997,014</u>

In September 2019, the Company issued a 5-year NTD-denominated unsecured bonds of \$3,000,000 thousand at 0.71% in Taiwan. An interest per annum will be paid at the simple coupon rate, and the repayment is due 5 years from the date of issuance.

In May 2021, the Company issued a 7-year NTD-denominated unsecured bonds of \$3,450,000 thousand at 0.52% in Taiwan. An interest per annum will be paid at the simple coupon rate, and the due date for repayment is 7 years from the date of issuance.

19. OTHER PAYABLES

	December 31	
	2021	2020
Payables for salaries and bonuses	\$ 903,342	\$ 878,841
Payables for outsourcing	596,393	649,129
Payables for annual leave	207,269	103,902
Payables for service fee	107,473	85,797
Payables for purchase of equipment	44,620	247,717
Payables for compensation of employees and remuneration of directors	31,978	21,239
Others	<u>751,222</u>	<u>713,198</u>
	<u>\$ 2,642,297</u>	<u>\$ 2,699,823</u>

20. PROVISIONS - NON-CURRENT

	December 31	
	2021	2020
Warranties	\$ 364,974	\$ 342,808
Others	<u>49,684</u>	<u>99,367</u>
	<u>\$ 414,658</u>	<u>\$ 442,175</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of other events affecting product quality.

Others refer to the obligation of the Group to improve its Taichung Complex groundwater pollution remediation site as ordered by the Environmental Protection Administration. The Group has the obligation to improve this site and recognized the discounted value of the best estimate of the remediation expenses as provisions.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

AIDC USA has not established a retirement plan in accordance with local ordinances.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes to a pension fund administered by the pension fund monitoring committee; the amounts of contributions were equal to 16.96% and 16.57% of total monthly salaries and wages for the years ended December 31, 2021 and 2020, respectively. Pension contributions are deposited in the Bank of Taiwan in the committee's name

and are managed by the Bureau of Labor Funds, Ministry of Labor. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 2,773,546	\$ 2,496,373
Fair value of plan assets	<u>(2,812,278)</u>	<u>(2,502,906)</u>
Net defined benefit assets	<u>\$ (38,732)</u>	<u>\$ (6,533)</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	\$ 2,245,092	\$ (2,183,279)	\$ 61,813
Service cost			
Current service cost	411,007	-	411,007
Net interest expense (income)	<u>14,326</u>	<u>(15,257)</u>	<u>(931)</u>
Recognized in profit or loss	<u>425,333</u>	<u>(15,257)</u>	<u>410,076</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(67,076)	(67,076)
Actuarial loss - changes in financial assumptions	63,507	-	63,507
Actuarial gain - experience adjustments	<u>(64,777)</u>	<u>-</u>	<u>(64,777)</u>
Recognized in other comprehensive income	<u>(1,270)</u>	<u>(67,076)</u>	<u>(68,346)</u>
Contributions from the employer	-	(410,076)	(410,076)
Benefits paid	<u>(172,782)</u>	<u>172,782</u>	<u>-</u>
Balance at December 31, 2020	<u>2,496,373</u>	<u>(2,502,906)</u>	<u>(6,533)</u>
Service cost			
Current service cost	385,017	-	385,017
Net interest expense (income)	<u>6,119</u>	<u>(6,616)</u>	<u>(497)</u>
Recognized in profit or loss	<u>391,136</u>	<u>(6,616)</u>	<u>384,520</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (37,846)	\$ (37,846)
Actuarial loss - changes in demographic assumptions	51,378	-	51,378
Actuarial gain - changes in financial assumptions	(39,485)	-	(39,485)
Actuarial gain - experience adjustments	(6,246)	-	(6,246)
Recognized in other comprehensive loss (income)	5,647	(37,846)	(32,199)
Contributions from the employer	-	(384,520)	(384,520)
Benefits paid	(119,610)	119,610	-
Balance at December 31, 2021	<u>\$ 2,773,546</u>	<u>\$ (2,812,278)</u>	<u>\$ (38,732)</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Pension Fund or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rate(s)	0.50%	0.25%
Expected rate(s) of salary increase	1.50%	1.50%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2021	2020
Discount rate(s)		
0.25% increase	<u>\$ (39,578)</u>	<u>\$ (39,975)</u>
0.25% decrease	<u>\$ 40,463</u>	<u>\$ 40,939</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 39,960</u>	<u>\$ 40,329</u>
0.25% decrease	<u>\$ (39,288)</u>	<u>\$ (39,585)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
The expected contributions to the plan for the next year	<u>\$ 370,535</u>	<u>\$ 384,520</u>
The average duration of the defined benefit obligation	5.7 years	6.2 years

22. EQUITY

a. Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	<u>1,500,000</u>	<u>1,500,000</u>
Shares authorized	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>941,867</u>	<u>941,867</u>
Shares issued	<u>\$ 9,418,671</u>	<u>\$ 9,418,671</u>

b. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that the annual net income after paying income tax should be used first to make up for prior years' losses, set aside 10% as a legal reserve and appropriate or reverse special reserve. The residual earnings will be allocated by the resolution in the shareholders' meeting. For information about the accrual basis of the compensation of employees and remuneration of directors and supervisors and the actual appropriations, please refer to Note 24 (d).

Profits of the Company may be distributed by way of cash dividend or share dividend. Distribution of profits shall be made preferably by way of cash dividend. However, the ratio of share dividend shall not exceed 50% of total distribution.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's capital surplus. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's capital surplus, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No. 1090150022 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, the Company should appropriate to or reverse from special reserve.

The appropriations of earnings for 2020 and 2019 have been approved in the shareholders’ meetings on August 13, 2021 and May 29, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 45,053	\$ 189,079		
Special reserve	118,836	29,809		
Reversal of special reserve	(29,809)	(621,020)		
Cash dividends	188,373	1,120,822	\$ 0.2	\$ 1.19

The appropriations of earnings for 2021 were proposed by the Company’s board of directors on March 28, 2022. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 58,377	
Special reserve	153,820	
Reversal of special reserve	(118,836)	
Cash dividends	329,653	\$ 0.35

The appropriations of earnings for 2021 are subject to the resolution of the shareholders in their meeting to be held in May 2022.

23. REVENUE

a. Sales revenue

	For the Year Ended December 31	
	2021	2020
Aircraft/vehicle maintenance	\$ 14,859,432	\$ 14,026,669
Aero/industrial engine	8,311,780	6,421,779
Industrial technology services	<u>563,354</u>	<u>594,489</u>
	<u>\$ 23,734,566</u>	<u>\$ 21,042,937</u>

b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Contract assets			
Aircraft/vehicle maintenance	\$ 530,666	\$ 915,060	\$ 1,197,331
Others	<u>-</u>	<u>39,030</u>	<u>82,383</u>
	<u>\$ 530,666</u>	<u>\$ 954,090</u>	<u>\$ 1,279,714</u>

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities			
Aircraft/vehicle maintenance	\$ 1,492,907	\$ 1,456,733	\$ 557,446
Others	<u>23,628</u>	<u>24,003</u>	<u>26,673</u>
	<u>\$ 1,516,535</u>	<u>\$ 1,480,736</u>	<u>\$ 584,119</u>

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk characteristics as the trade receivables. Therefore, the Group concluded that the expected loss rates for trade receivables can be applied to the contract assets.

	December 31	
	2021	2020
Expected credit loss rate	0%	0%
Gross carrying amount	\$ 530,666	\$ 954,090
Allowance for impairment loss (Lifetime ECLs)	<u>-</u>	<u>-</u>
	<u>\$ 530,666</u>	<u>\$ 954,090</u>

24. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2021	2020
Remedy income	\$ 524,793	\$ 679,652
Other income from condoned liabilities	13,612	2,168
Indemnity income	6,925	2,767
Others	<u>56,424</u>	<u>65,545</u>
	<u>\$ 601,754</u>	<u>\$ 750,132</u>

b. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Impairment loss	\$ (205,022)	\$ (42,675)
Net foreign exchange losses	(145,231)	(339,044)
Loss on disposal of property, plant and equipment	(616)	(21)
Others	<u>(183,593)</u>	<u>(171,017)</u>
	<u>\$ (534,462)</u>	<u>\$ (552,757)</u>

c. Employee benefits, depreciation and amortization

	Operating Cost	Operating Expense	Non-operating Expense	Transfer to Developing Intangible Assets	Capital cost	Total
<u>For the Year Ended December 31, 2021</u>						
Employee benefits expense						
Salaries expense	\$ 4,229,042	\$ 592,905	\$ 14,519	\$ 28,714	\$ -	\$ 4,865,180
Retirement benefit						
Defined contribution plans	84,178	12,791	161	667	-	97,797
Defined benefit plans	330,971	50,291	634	2,624	-	384,520
Labor and health insurance	313,716	39,145	68,427	2,150	-	423,438
Other employee benefits	36,875	4,404	7,911	20	-	49,210
Depreciation expense	1,138,331	68,456	18,371	13,683	-	1,238,841
Amortization expense	206,415	12,507	34	2,257	-	221,213
<u>For the Year Ended December 31, 2020</u>						
Employee benefits expense						
Salaries expense	4,122,016	552,580	10,694	54,846	1,632	4,741,768
Retirement benefit						
Defined contribution plans	120,276	16,845	276	1,645	51	139,093
Defined benefit plans	354,597	49,663	814	4,850	152	410,076
Labor and health insurance	313,051	33,528	65,074	3,917	95	415,665
Other employee benefits	35,255	3,521	7,199	23	27	46,025
Depreciation expense	999,965	71,069	19,204	36,846	582	1,127,666
Amortization expense	322,498	17,412	30	8,889	8	348,837

d. Compensation of employees and remuneration of directors

The Company accrues distribution of compensation of employees and remuneration of directors at the rates no less than 0.58% and no higher than 4.65%, respectively, of net profit before income tax.

The compensation of employees and remuneration of directors for 2021 and 2020 which were resolved by the board of directors on March 28, 2022 and March 26, 2021, were as follows:

	<u>For the Year Ended December 31</u>			
	<u>2021</u>		<u>2020</u>	
	<u>The Proportion of Estimate</u>	<u>Amount of Money</u>	<u>The Proportion of Estimate</u>	<u>Amount of Money</u>
Compensation of employees	4.65%	\$ 28,432	4.65%	\$ 18,883
Remuneration of directors	0.58%	3,546	0.58%	2,356

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and the remuneration of directors resolved by the Company's board of directors are available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gain or loss on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Foreign exchange gains	\$ 116,701	\$ 310,875
Foreign exchange losses	(261,932)	(649,919)
Net losses	<u>\$ (145,231)</u>	<u>\$ (339,044)</u>

f. Finance costs

Information about capitalized interest is as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Capitalized interest amount	\$ 424	\$ 5,334
Capitalization rate (%)	0.94	0.93-1.11

25. TAXES

a. Tax expense recognized in profit or loss

Major components of tax expense is as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Current tax		
In respect of the current year	\$ 63,172	\$ 73,543
Adjustments for prior years	-	(2,938)
	<u>63,172</u>	<u>70,605</u>
Deferred tax		
In respect of the current year	<u>53,511</u>	<u>13,160</u>
Income tax expense recognized in profit or loss	<u>\$ 116,683</u>	<u>\$ 83,765</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Income tax expense calculated at the statutory rate	\$ 185,555	\$ 154,749
Nondeductible expenses in determining taxable income	3,467	4,400
Tax-exempt income	(88,802)	(117,380)
Temporary differences	38,996	44,934
Investment credits	(22,533)	-
Adjustments for prior years' tax	-	(2,938)
Income tax expense recognized in profit or loss	<u>\$ 116,683</u>	<u>\$ 83,765</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

The applicable tax rate used by a subsidiary in the United States in 2021 and 2020 are 25.35% and 25.9%, respectively.

According to the “Regulations Governing Application of Tax Credits for Corporate or Limited Partnership in Smart Machines and 5th Generation Mobile Networks”, the Company deducted the value of profitable business within the 5% limit of the investment in smart machinery and did not exceed 30% of the income from profit-making business.

b. Income tax recognized in other comprehensive loss

	For the Year Ended December 31	
	2021	2020
Deferred tax		
Remeasurement of defined benefit plan	<u>\$ 6,440</u>	<u>\$ 13,669</u>

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2021			
	Recognized in Other Comprehensive Income (Loss)			
	Opening Balance	Recognized in Profit or Loss	Comprehensive Income (Loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Provisions	\$ 88,435	\$ (5,503)	\$ -	\$ 82,932
Intangible assets	77,470	41,004	-	118,474
Property plant and equipment	5,252	-	-	5,252
Payables for annual leave	20,780	20,673	-	41,453
Unrealized loss on foreign currency exchange	45,341	(40,565)	-	4,776
Loss carryforwards	81,702	(27,875)	-	53,827
Others	<u>855</u>	<u>57</u>	<u>-</u>	<u>912</u>
	<u>\$ 319,835</u>	<u>\$ (12,209)</u>	<u>\$ -</u>	<u>\$ 307,626</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 155,839	\$ 41,302	\$ -	\$ 197,141
Defined benefit plan	<u>1,306</u>	<u>-</u>	<u>6,440</u>	<u>7,746</u>
	<u>\$ 157,145</u>	<u>\$ 41,302</u>	<u>\$ 6,440</u>	<u>\$ 204,887</u>

	For the Year Ended December 31, 2020			
	Recognized in Other Comprehensive Income (Loss)			
	Opening Balance	Recognized in Profit or Loss	Comprehensive Income (Loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Provisions	\$ 110,311	\$ (21,876)	\$ -	\$ 88,435
Intangible assets	68,935	8,535	-	77,470
Property plant and equipment	24,343	(19,091)	-	5,252
Payables for annual leave	33,197	(12,417)	-	20,780
Defined benefit plan	12,363	-	(12,363)	-
Unrealized loss on foreign currency exchange	52,710	(7,369)	-	45,341
Right-of-use assets	3,270	(3,270)	-	-
Loss carryforwards	-	81,702	-	81,702
Others	<u>733</u>	<u>122</u>	<u>-</u>	<u>855</u>
	<u>\$ 305,862</u>	<u>\$ 26,336</u>	<u>\$ (12,363)</u>	<u>\$ 319,835</u>

Deferred tax liabilities

Temporary differences				
Investments accounted for using the equity method	\$ 116,343	\$ 39,496	\$ -	\$ 155,839
Defined benefit plan	<u>-</u>	<u>-</u>	<u>1,306</u>	<u>1,306</u>
	<u>\$ 116,343</u>	<u>\$ 39,496</u>	<u>\$ 1,306</u>	<u>\$ 157,145</u>

d. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2021	2020
Deductible temporary differences		
Inventories	<u>\$ 2,375,605</u>	<u>\$ 2,180,623</u>

e. Unused loss carryforwards

	December 31	
	2021	2020
Loss carryforwards		
Expiry in 2030	<u>\$ 269,135</u>	<u>\$ 408,512</u>

f. Income tax assessments

Income tax returns of the Company through 2019 have been examined and cleared by the tax authorities.

26. EARNINGS PER SHARE

Unit: NTS Per Share

For the Year Ended December 31
2021 2020

Basic earnings per share	\$ <u>0.59</u>	\$ <u>0.42</u>
Diluted earnings per share	\$ <u>0.59</u>	\$ <u>0.42</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

For the Year Ended December 31
2021 2020

Profit for the year attributable to owners of the Company

Earnings used in the computation of basic earnings per share (Earnings used in the computation of diluted earnings per share)	\$ <u>558,013</u>	\$ <u>395,858</u>
--	-------------------	-------------------

Weighted average number of ordinary shares outstanding (in thousands of shares)

Weighted average number of ordinary shares in computation of basic earnings per share	941,867	941,867
Effect of potentially dilutive ordinary shares Compensation of employees issued to employees	<u>1,121</u>	<u>1,653</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>942,988</u>	<u>943,520</u>

The Company may settle compensation or bonuses payable to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares, if dilutive, are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares should be included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. CAPITAL MANAGEMENT

The Group must maintain adequate capital necessary for profitable operations and business expansion, equipment upgrade, participation in international new aircraft developing and engine development cooperation project. Therefore, the Group manages its capital to ensure that the Group will have enough financial resources to respond accordingly to its working capital requirements at least for the next 12 months, capital expenditures, participation in international new aircraft developing and repayments of liabilities.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents and other financial assets) and equity (comprising ordinary shares, retained earnings and other equity).

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management considers the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	\$ 12,705	\$ -	\$ -	\$ 12,705
Unlisted shares	<u>-</u>	<u>-</u>	<u>34,178</u>	<u>34,178</u>
	<u>\$ 12,705</u>	<u>\$ -</u>	<u>\$ 34,178</u>	<u>\$ 46,883</u>

December 31, 2020

Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	\$ 16,731	\$ -	\$ -	\$ 16,731
Unlisted shares	<u>-</u>	<u>-</u>	<u>33,197</u>	<u>33,197</u>
	<u>\$ 16,731</u>	<u>\$ -</u>	<u>\$ 33,197</u>	<u>\$ 49,928</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020, respectively.

2) Reconciliation of Level 3 fair value measurements of financial instruments

Financial Assets	Financial Assets at FVTOCI Equity Instruments
<u>For the Year Ended December 31, 2021</u>	
Balance at January 1, 2021	\$ 33,197
Recognized in other comprehensive income	<u>981</u>
Balance at December 31, 2021	<u>\$ 34,178</u>
<u>For the Year Ended December 31, 2020</u>	
Balance at January 1, 2020	\$ 33,830
Recognized in other comprehensive loss	<u>(633)</u>
Balance at December 31, 2020	<u>\$ 33,197</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The marketable securities of unlisted shares held by the Group is estimated using the evaluation method when there is no market price reference. The fair value of unlisted shares was evaluated using the asset-based approach.

c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at amortized cost	\$ 11,983,020	\$ 13,654,534
Investments in equity instruments at FVTOCI - non-current	46,883	49,928
<u>Financial liabilities</u>		
Financial liabilities at amortized cost	21,264,745	24,902,235

Financial assets at amortized cost comprise cash and cash equivalents, notes receivable, trade receivables, other receivables, overdue receivables, other financial assets and refundable deposits.

Financial liabilities at amortized cost comprise short-term borrowings, short-term bills payable, trade payables, other payables (excluded payables for salaries and bonuses, payables for annual leave and payables for compensation of employees and remuneration of directors), bonds payable, other financial liabilities (accounted at other current liabilities), long-term borrowings (included not later than one year) and guarantee deposits.

d. Financial risk management objectives

The Group's major financial risk management objectives are to manage the market risk (including currency risk, and interest rate risk), credit risk and liquidity risk of operating activities. The Group minimizes the unfavorable effects of these risks by identification and assessment of the risks and by applying aversion methods to the uncertainties.

The Group's financial targets including its investment plan for property, plant and equipment are laid out in its "Five-Year Business Plan". The financial plan includes risk management policies and the division of responsibilities.

The Group's major financial instruments include cash and cash equivalents, trade receivable, short-term borrowings, short-term bills payable, trade payables, bonds payable and long-term borrowings. The financial department coordinates access to domestic financial markets.

The Group's compliance with the operating procedure and responsibilities are reviewed by the internal auditors. The evaluation results are also used for future reference by the authorities.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

Foreign currency risk

The Group minimizes its currency exposure by natural hedging. Foreign currency operation performance is reported to the key management personnel every quarter and the expected foreign currency and operation direction are set for the next quarter.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group was mainly exposed to the US dollar. The Group's sensitivity to an increase or decrease of 0.5% in New Taiwan dollars against the relevant foreign currencies means profit before income tax would increase/decrease by \$25,167 thousand and \$35,741 thousand for the years ended December 31, 2021 and 2020, respectively. The sensitivity rate of 0.5% represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, with the foreign currency rates at the end of the reporting period adjusted for a 0.5% change.

Interest rate risk

The Group's interest risk is evaluated in terms of short-term borrowings, short-term bills payable, bonds payable, long-term borrowings and lease liabilities. Borrowing and repayment require budget planning in advance to control the interest risk. Interest rates of short-term loans from different financial organizations are compared and lowest one will be selected.

Sensitivity analysis

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by \$5,250 thousand and \$9,900 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The possible financial loss would equal to the carrying amount of the recognized financial assets as stated in the balance sheets. However, the Group is executing forward exchange only with the correspondent financial institutions, and they are creditworthy with no credit risks.

The Group's dealing counterparties are national defence organizations and international aerospace corporations, and they are creditworthy with extreme low risk of bankruptcy. The Group's key management checks the accounts receivable every month, and instructs the project team to collect the past due amounts.

The Group's concentration of credit risk by geographical location was mainly in the United States, which accounted for 29% and 21% of the total trade receivables as of December 31, 2021 and 2020, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Group had available unutilized bank loan facilities as set out in (b) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following tables details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

Non-derivative financial liabilities	Less than 1 Year	1 to 5 Year	More than 5 Year
<u>December 31, 2021</u>			
Non-interest bearing liabilities	\$ 3,609,937	\$ 194,101	\$ -
Lease liabilities	118,265	488,351	1,577,592
Variable interest rate liabilities	1,200,000	900,000	-
Fixed interest rate liabilities	<u>8,640,000</u>	<u>3,280,000</u>	<u>3,450,000</u>
	<u>\$ 13,568,202</u>	<u>\$ 4,862,452</u>	<u>\$ 5,027,592</u>

December 31, 2020

Non-interest bearing liabilities	\$ 3,059,225	\$ 179,709	\$ -
Lease liabilities	132,457	488,057	1,697,931
Variable interest rate liabilities	2,000,000	1,184,615	775,385
Fixed interest rate liabilities	<u>13,410,000</u>	<u>4,300,000</u>	<u>-</u>
	<u>\$ 18,601,682</u>	<u>\$ 6,152,381</u>	<u>\$ 2,473,316</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities (reviewed annually)

	December 31	
	2021	2020
Unsecured bank overdraft facility:		
Amount unused	<u>\$ 21,966,210</u>	<u>\$ 18,006,995</u>

29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiary, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and related parties are disclosed below.

a. Related Party Categories / Names

Related Party Name	Relationship with the Consolidated Company
ITEC	Associate
JSPCO	Associate
Ministry of Economic Affairs	Corporate director

b. Sales of goods

Related Party Name	For the Year Ended December 31	
	2021	2020
ITEC	\$ 1,107,105	\$ 334,839
JSPCO	<u>109</u>	<u>137</u>
	<u>\$ 1,107,214</u>	<u>\$ 334,976</u>

The Group's sales prices are based on the contracts. The collection terms are as follows:

Item	Collection Terms
Engine	90 days after the invoice date
Backup parts	Offset accounts receivable with accounts payable

There is no unrelated party with similar product item to compare the engine sales price. The backup parts are no significant difference between the sale price and conditions for related parties and non-related parties, and collection term is 1-2 months.

c. Purchase of goods

Related Party Name	For the Year Ended December 31	
	2021	2020
ITEC	<u>\$ 650,418</u>	<u>\$ 422,139</u>

The Group's buying prices from related party are based on contract. The payment term in principle is 1-2 months or paying after offset of accounts receivable. There are no unrelated parties with similar product items that can serve as basis of comparison of prices and terms.

d. Manufacturing expenses

Related Party Name	For the Year Ended December 31	
	2021	2020
ITEC	\$ 380,283	\$ 731,854
JSPCO	<u>53,629</u>	<u>57,483</u>
	<u>\$ 433,912</u>	<u>\$ 789,337</u>

e. Receivables from related parties

Related Party Name	December 31	
	2021	2020
ITEC	\$ 138,214	\$ 101,328
JSPCO	<u>30</u>	<u>4</u>
	<u>\$ 138,244</u>	<u>\$ 101,332</u>

The outstanding trade receivables from related parties are unsecured. No impairment loss and expected credit loss were recognized on trade receivables from related parties.

f. Other current assets

Related Party Name	December 31	
	2021	2020
ITEC	<u>\$ 114,576</u>	<u>\$ 441,288</u>

g. Payables to related parties

Related Party Name	December 31	
	2021	2020
ITEC	<u>\$ 110,937</u>	<u>\$ 101,685</u>

The outstanding trade payables to related parties are unsecured.

h. Other payables

Related Party Name	December 31	
	2021	2020
JSPCO	<u>\$ 13,566</u>	<u>\$ 11,980</u>

i. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term benefits	\$ 30,965	\$ 38,087
Post-employment benefits	<u>1,805</u>	<u>1,806</u>
	<u>\$ 32,770</u>	<u>\$ 39,893</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following other financial assets and property, plant and equipment were provided as collateral for obligation:

	December 31	
	2021	2020
Property, plant and equipment	\$ 1,902,950	\$ 1,976,291
Other financial assets - current	3,893	4,008
Other financial assets - non-current	<u>41,753</u>	<u>47,841</u>
	<u>\$ 1,948,596</u>	<u>\$ 2,028,140</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as follows:

- As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$578,638 thousand and \$363,428 thousand, respectively.
- As of December 31, 2021 and 2020, unpaid contract for purchases of raw materials and machinery and equipment amounted to approximately \$24,657,392 thousand and \$26,234,958 thousand, respectively.
- The Group intended to lease land from Taiwan Sugar Co., Ltd. (Taiwan Sugar Company) for the purpose of sustainable operations, which was approved by the board of directors on February 7, 2020. The Group had signed a land agreement with Taiwan Sugar Company and paid \$33,787 thousand as security deposit. According to the contract, the Group needs to apply for a change of land use before leasing the land. At that time, the Group signed a lease agreement with Taiwan Sugar Company and paid \$39,121 thousand as compensation.

32. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	December 31					
	2021			2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Assets</u>						
Monetary items						
USD	\$ 208,476	27.68	\$ 5,770,616	\$ 257,919	28.48	\$ 7,345,533
Non-monetary items						
USD	42,461	27.68	1,175,333	35,140	28.48	1,000,783

(Continued)

December 31					
2021			2020		
Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars

Liabilities

Monetary items					
USD	\$ 26,637	27.68	\$ 737,312	\$ 6,929	28.48
					\$ 197,338
					(Concluded)

The significant unrealized foreign exchange losses were as follows:

For the Year Ended December 31				
2021			2020	
Foreign Currency	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Loss
USD	27.68	<u>\$ (23,474)</u>	28.48	<u>\$ (226,205)</u>

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investment in subsidiary, associates and joint controlled entities). (Table 1)
- 4) Marketable securities acquired and disposed at costs or prices at least \$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 2)
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 3)
- 9) Trading in derivative instruments. (None)
- 10) Intercompany relationships and significant intercompany transactions. (Table 4)
- 11) Information on investees. (Table 5)

b. Information on investments in mainland China. (None)

- c. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6)

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the type of services delivered or provided.

The Group has only one operating segment which is the main business, i.e., design, manufacture, assembly, testing and maintenance of aircraft.

a. Geographical information

	For the Year Ended December 31	
	2021	2020
Asia	\$ 14,122,787	\$ 12,760,901
America	7,997,399	6,347,611
Europe	<u>1,614,380</u>	<u>1,934,425</u>
	<u>\$ 23,734,566</u>	<u>\$ 21,042,937</u>

b. Information on major customers

Single customers that contributed 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Customer A	\$ 7,005,480	30	\$ 5,536,933	26
Customer B	3,331,466	14	3,516,436	17
Customer C	3,189,867	13	2,229,929	11

TABLE 1

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

MARKETABLE SECURITIES HELD
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars or Shares, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value
The Company	<u>Share capital</u>						
	UHT Ltd.	-	Financial assets at FVTOCI - non-current	1,100	\$ 12,705	2.94%	\$ 12,705
	AAI	The Company is a corporate director.	Financial assets at FVTOCI - non-current	4,968	32,016	13.09%	32,016
	Metro Ltd.	The Company is a corporate director.	Financial assets at FVTOCI - non-current	300	2,162	6%	2,162

Note: Information about subsidiary and associates is provided in Table 5.

TABLE 2

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Purchaser or Seller	Related Party	Nature of Relationship with the Purchaser or Seller	Transaction Details				Abnormal Transaction		Notes and Accounts Receivable (Payable)		Note
			Purchase (Sale)	Amount	% to Total	Collection Terms	Unit Price	Collection Terms	Ending Balance	% to Total	
The Company	ITEC	Associate	Sales Purchases	\$ (1,083,732) 650,418	(5) 6	Note Note	Note Note	Note Note	\$ 134,345 (110,937)	2 (5)	

Note: Information is provided in Note 29.

TABLE 3

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ITEC	Associate	\$ 134,345	9.27	\$ -	-	\$ 134,345	\$ -

TABLE 4

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty (Note)	Relationship	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets
0	The Company	AIDC USA	Parent company to subsidiary	Purchases	\$ 3,147	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Manufacturing expenses	19,011	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Operation expenses	18,537	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Accounts payables	349	T/T 30 - 60 days	-
		AIDC USA	Parent company to subsidiary	Other payables	2,881	T/T 30 - 60 days	-

Note: Transactions have been eliminated.

TABLE 5

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars or Shares, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	%	Carrying Amount			
The Company	AIDC USA	Delaware, USA	Provide program management and relevant services for purchasing and selling raw materials, parts and components of aircraft, engines and subsystems.	\$ 288,661	\$ 288,661	-	100	\$ 1,175,333	\$ 213,290	\$ 206,509 (Note)	Subsidiary
	JSPCO	Kaohsiung City, ROC	Design, maintain and manufacture of moulds, jigs, fixtures and mechanical parts	50,000	50,000	5,000,000	31.25	10,910	(55,464)	(17,333)	Associate
AIDC USA	ITEC	Delaware, USA	Development, production and remodel of aircraft	728	728	-	22.05	1,123,975	1,226,437	263,648	Associate

Note: The share of profits of subsidiary included the effect of unrealized gross profit on intercompany transactions.

Table 6**AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND
SUBSIDIARY****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares (In Thousands)	Percentage of Ownership (%)
Ministry of Economic Affairs	331,302	35.17

Note: The information of major shareholders is based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company as of December 31, 2021. The share capital in consolidated financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

6. Audited Individual Financial Statements in the Previous Year:

Deloitte.

勤業眾信

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Aerospace Industrial Development Corporation

Opinion

We have audited the accompanying financial statements of Aerospace Industrial Development Corporation (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Company's financial statements for the year ended December 31, 2021 is stated as follows:

Impairment loss of inventory

The Company assesses the impairment of inventory by identifying raw materials individually. The Company's assessment of impairment loss of raw materials was based on current market condition and future consumption in accordance with IAS 2. Refer to Notes 5 and 9 to the financial statements for the relevant accounting policies, accounting judgments and estimation uncertainties, and other information. The assessment of impairment loss of raw materials involves management's critical judgment; therefore, we considered the impairment of inventory as

a key audit matter. Our key audit procedures performed in regard to the impairment assessment included the following:

1. We selected samples of the inventory aging report and tested the completeness and accuracy of the inventory.
2. We selected samples of raw materials that were over 1 year, which were not recognized as obsolete, and confirmed the reasonableness of not recognizing the raw materials' obsolescence.
3. We tested the net realizable value of raw materials which were not recognized as obsolete and selected samples and calculated the allowance for impairment loss.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that

may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Lie-Dong Wu and Ting-Chien Su.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 28, 2022

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	December 31			
	2021		2020	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,251,313	8	\$ 4,550,068	11
Contract assets - current (Notes 4 and 22)	530,666	1	954,090	2
Notes receivable (Notes 4 and 8)	16,203	-	48,561	-
Trade receivables from unrelated parties (Notes 4 and 8)	8,398,245	21	8,763,922	20
Trade receivables from related parties (Notes 4 and 28)	134,375	-	99,413	-
Other receivables (Note 4)	3,417	-	11,655	-
Current tax assets	4,941	-	4,541	-
Inventories (Notes 4, 5 and 9)	11,955,772	30	12,196,505	28
Other financial assets - current (Notes 4, 14 and 29)	15,382	-	33,021	-
Other current assets (Notes 4, 15 and 28)	<u>2,409,447</u>	<u>6</u>	<u>3,077,295</u>	<u>7</u>
Total current assets	<u>26,719,761</u>	<u>66</u>	<u>29,739,071</u>	<u>68</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	46,883	-	49,928	-
Investments accounted for using the equity method (Notes 4 and 10)	1,186,243	3	1,029,026	2
Property, plant and equipment (Notes 4, 11, 23 and 29)	9,412,918	23	9,297,653	21
Right-of-use assets (Notes 3, 4 and 12)	1,700,935	4	1,813,172	4
Intangible assets (Notes 4 and 13)	906,544	2	1,156,321	3
Deferred tax assets (Notes 4 and 24)	307,526	1	319,637	1
Prepayments for equipment (Note 23)	278,858	1	472,268	1
Net defined benefit assets - non-current (Notes 4 and 20)	38,732	-	6,533	-
Other financial assets - non-current (Notes 4, 14 and 29)	41,753	-	47,841	-
Other non-current assets (Notes 4, 8 and 15)	<u>90,088</u>	<u>-</u>	<u>86,718</u>	<u>-</u>
Total non-current assets	<u>14,010,480</u>	<u>34</u>	<u>14,279,097</u>	<u>32</u>
TOTAL	<u>\$ 40,730,241</u>	<u>100</u>	<u>\$ 44,018,168</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 1,200,000	3	\$ 3,710,000	9
Short-term bills payable (Note 16)	8,636,928	21	11,696,287	27
Contract liabilities (Notes 4 and 22)	1,516,535	4	1,480,736	3
Trade payables to unrelated parties	1,985,897	5	1,232,686	3
Trade payables to related parties (Note 28)	111,286	-	102,182	-
Other payables (Notes 18 and 28)	2,636,110	7	2,695,662	6
Current tax liabilities (Notes 4 and 24)	61,401	-	61,401	-
Lease liabilities - current (Notes 3, 4 and 12)	101,012	-	102,069	-
Other current liabilities	<u>39,953</u>	<u>-</u>	<u>100,687</u>	<u>-</u>
Total current liabilities	<u>16,289,122</u>	<u>40</u>	<u>21,181,710</u>	<u>48</u>
NON-CURRENT LIABILITIES				
Bonds payable (Note 17)	6,443,779	16	2,997,014	7
Long-term borrowings (Note 16)	1,180,000	3	3,260,000	7
Provisions - non-current (Notes 4 and 19)	414,658	1	442,175	1
Non-current tax liabilities (Notes 4 and 24)	30,700	-	92,101	-
Deferred tax liabilities (Notes 4 and 24)	204,887	1	157,145	-
Lease liabilities - non-current (Notes 3, 4 and 12)	1,639,743	4	1,740,186	4
Long-term deferred revenue (Note 4)	8,564	-	3,856	-
Guarantee deposits	<u>194,101</u>	<u>-</u>	<u>179,709</u>	<u>1</u>
Total non-current liabilities	<u>10,116,432</u>	<u>25</u>	<u>8,872,186</u>	<u>20</u>
Total liabilities	<u>26,405,554</u>	<u>65</u>	<u>30,053,896</u>	<u>68</u>
EQUITY				
Ordinary shares	9,418,671	23	9,418,671	21
Retained earnings				
Legal reserve	1,143,477	3	1,098,424	3
Special reserve	2,020,291	5	1,931,264	4
Unappropriated earnings	1,896,068	4	1,634,749	4
Other equity	<u>(153,820)</u>	<u>-</u>	<u>(118,836)</u>	<u>-</u>
Total equity	<u>14,324,687</u>	<u>35</u>	<u>13,964,272</u>	<u>32</u>
TOTAL	<u>\$ 40,730,241</u>	<u>100</u>	<u>\$ 44,018,168</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
SALES (Notes 4, 22 and 28)	\$ 23,711,193	100	\$ 21,020,879	100
COST OF GOODS SOLD (Notes 9, 23 and 28)	<u>21,985,251</u>	<u>93</u>	<u>19,665,936</u>	<u>93</u>
GROSS PROFIT	<u>1,725,942</u>	<u>7</u>	<u>1,354,943</u>	<u>7</u>
OPERATING EXPENSES (Notes 23 and 28)				
Selling and marketing expenses	164,625	1	119,408	1
General and administrative expenses	532,033	2	555,117	3
Research and development expenses	544,242	2	516,700	2
Expected credit gain (Notes 4 and 8)	<u>(780)</u>	<u>-</u>	<u>(7,974)</u>	<u>-</u>
Total operating expenses	<u>1,240,120</u>	<u>5</u>	<u>1,183,251</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>485,822</u>	<u>2</u>	<u>171,692</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 23)	601,754	2	750,129	4
Other gains and losses (Notes 4 and 23)	(535,140)	(2)	(552,756)	(3)
Share of profit of subsidiary and associates (Note 4)	189,176	1	175,719	1
Interest income	2,969	-	41,189	-
Finance costs (Notes 4 and 23)	<u>(133,155)</u>	<u>(1)</u>	<u>(179,880)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>125,604</u>	<u>-</u>	<u>234,401</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	611,426	2	406,093	2
INCOME TAX EXPENSE (Notes 4 and 24)	<u>53,413</u>	<u>-</u>	<u>10,235</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>558,013</u>	<u>2</u>	<u>395,858</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	25,759	-	54,677	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(3,045)	-	(37,406)	-

(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (31,939)	-	\$ (51,621)	-
Other comprehensive loss for the year, net of income tax	(9,225)	-	(34,350)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 548,788</u>	<u>2</u>	<u>\$ 361,508</u>	<u>2</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 0.59</u>		<u>\$ 0.42</u>	
Diluted	<u>\$ 0.59</u>		<u>\$ 0.42</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	Ordinary Shares (Note 21)	Retained Earnings (Note 21)			Other Equity (Note 4)		Total Equity
		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized gain (loss) on Investments in Equity Instruments Designated as at Fair Value through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2020	\$ 9,418,671	\$ 909,345	\$ 2,522,475	\$ 1,902,904	\$ (37,943)	\$ 8,134	\$ 14,723,586
Appropriation of 2019 earnings							
Legal reserve	-	189,079	-	(189,079)	-	-	-
Special reserve	-	-	(591,211)	591,211	-	-	-
Cash dividends distributed by the Company	-	-	-	(1,120,822)	-	-	(1,120,822)
Profit for the year ended December 31, 2020	-	-	-	395,858	-	-	395,858
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	54,677	(51,621)	(37,406)	(34,350)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	450,535	(51,621)	(37,406)	361,508
BALANCE AT DECEMBER 31, 2020	9,418,671	1,098,424	1,931,264	1,634,749	(89,564)	(29,272)	13,964,272
Appropriation of 2020 earnings							
Legal reserve	-	45,053	-	(45,053)	-	-	-
Special reserve	-	-	89,027	(89,027)	-	-	-
Cash dividends distributed by the Company	-	-	-	(188,373)	-	-	(188,373)
Profit for the year ended December 31, 2021	-	-	-	558,013	-	-	558,013
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	25,759	(31,939)	(3,045)	(9,225)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	583,772	(31,939)	(3,045)	548,788
BALANCE AT DECEMBER 31, 2021	\$ 9,418,671	\$ 1,143,477	\$ 2,020,291	\$ 1,896,068	\$ (121,503)	\$ (32,317)	\$ 14,324,687

The accompanying notes are an integral part of the financial statements.

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 611,426	\$ 406,093
Adjustments for:		
Depreciation expense	1,223,104	1,088,005
Amortization expense	218,919	339,901
Expected credit gain	(780)	(7,974)
Finance costs	133,155	179,880
Interest income	(2,969)	(41,189)
Dividend income	(123)	(111)
Share of profit of subsidiary and associates	(189,176)	(175,719)
Loss on disposal of property, plant and equipment	63	21
Impairment loss recognized on non-financial assets	400,004	267,345
Unrealized net loss on foreign currency exchange	8,936	47,887
Recognition (reversal) of provisions	7,222	(72,336)
Other income from liabilities	(13,612)	(2,168)
Benefits from lease modification	(24,025)	(24,069)
Net changes in operating assets and liabilities		
Contract assets	423,424	325,624
Notes receivable	32,358	(42,924)
Trade receivables	316,818	3,909,940
Other receivables	6,429	65,073
Inventories	11,012	(2,638,183)
Other current assets	661,315	1,515,933
Contract liabilities	35,799	896,617
Trade payables	765,118	(139,467)
Other payables	137,053	(875,345)
Other current liabilities	(47,432)	57,377
Deferred income	4,708	3,577
Cash generated from operations	4,718,746	5,083,788
Interest received	4,778	46,375
Interest paid	(111,383)	(159,576)
Income tax paid	(61,801)	(35,609)
Net cash generated from operating activities	<u>4,550,340</u>	<u>4,934,978</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for investments accounted for using the equity method	-	(50,000)
Payments for property, plant and equipment	(1,038,632)	(1,566,886)
Proceeds from disposal of property, plant and equipment	1	-
Increase in refundable deposits	(38,589)	(76,673)
Decrease in refundable deposits	45,226	51,446
Payments for intangible assets	(150,545)	(236,777)
Decrease in other financial assets	23,770	2,870,196

(Continued)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2021	2020
Increase in other non-current assets	\$ (10,287)	\$ (27,123)
Increase in prepayments for equipment	(208,614)	(151,457)
Dividends received	<u>123</u>	<u>111</u>
Net cash generated from (used in) investing activities	<u>(1,377,547)</u>	<u>812,837</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	21,125,000	39,042,244
Repayments of short-term borrowings	(23,635,000)	(40,252,244)
Proceeds from short-term bills payable	67,310,050	79,086,586
Repayments of short-term bills payable	(70,369,409)	(75,747,554)
Proceeds from bonds payable	3,445,585	-
Proceeds from long-term borrowings	25,203,000	31,438,000
Repayments of long-term borrowings	(27,283,000)	(34,106,299)
Proceeds of guarantee deposits received	118,735	103,677
Refund of guarantee deposits	(104,343)	(138,359)
Repayment of the principal portion of lease liabilities	(93,793)	(108,263)
Cash dividends distributed	<u>(188,373)</u>	<u>(1,120,822)</u>
Net cash used in financing activities	<u>(4,471,548)</u>	<u>(1,803,034)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,298,755)	3,944,781
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,550,068</u>	<u>605,287</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,251,313</u>	<u>\$ 4,550,068</u>

The accompanying notes are an integral part of the financial statements.

(Concluded)

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Aerospace Industrial Development Corporation (the “Company”) was a state-owned enterprise formed by the Ministry of Economic Affairs on July 1, 1996 from Aero Industry Development Center, Chung-Shan Institute of Science and six other state-owned enterprises. The Company's main business categories are as follows: design, manufacture, assembly, testing and maintenance of aircraft, engines, avionics and related components; consulting services and technology transfers of aerospace technology, logistical support and engineering technology management of large-scale projects; engineering and development of software and sales of aerospace products.

In July 2001, the initial public offering of the Company was approved by the Securities and Futures Commission (renamed as Securities and Futures Bureau of the Financial Supervisory Commission (FSC) of the Republic of China (ROC)). On September 13, 2013, in accordance with Rule No. 1020055531, the Company started its privatization process. On August 25, 2014, the Company was listed on the Taiwan Stock Exchange.

The financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 28, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit assets which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these financial statements, the Company used the equity method to account for its investments in subsidiary and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiary and associates, the share of other comprehensive income of subsidiary and

associates and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

e. Inventories

Inventories consist of raw materials and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Raw materials and supplies are recorded at moving weighted-average cost and work-in-process items are recorded at standard cost but adjusted to weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries. Subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associates. The Company also recognizes the changes in the Company's share of equity of associates.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of the investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associates are recognized by the Company in its financial statements only to the extent of interests in the associates that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the

recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, trade receivables, overdue receivables, other receivables, other financial asset and refundable deposits are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii) Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables, overdue receivables, as well as contract assets).

The Company always recognizes lifetime Expected Credit Loss (ECL) for trade receivables and overdue receivables, and contract assets. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

1. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provision for the expected cost of warranty obligations is recognized at the date of sale of the relevant products, at the Company's best estimate of the expenditure required to settle the obligation.

m. Revenue recognition

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

For the considerations that have been received from customers, the obligation to transfer goods or services to customers is recognized as a contract liability.

As the Company provides manufacturing or maintenance services, customers simultaneously receive the benefits with no alternative use to the Company. The Company measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Revenue and contract assets are recognized during the progress and are reclassified to trade receivables at a point in time when transferring goods or services to the customers.

1) Revenue from sale of goods

Revenue from sale of goods comes from sales of aerospace goods. When the goods are shipped or delivered to the customer's specific location, the customer has full discretion over the manner of utilization and bears the risk of the goods. Trade receivables and revenue are recognized concurrently.

2) Revenue from rendering of services

Revenue from rendering of services comes from aircraft maintenance, logistics management and industrial technology services.

n. Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions lease contracts and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government grants

Government grants related to income are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and recognized in profit or loss on a systematic and rational basis over the useful lives of the related assets.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in

the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit asset represents the actual surplus in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of Inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand and petty cash	\$ -	\$ 412
Checking accounts and demand deposits	2,751,569	1,700,661
Cash equivalents		
Time deposits with original maturities of three months or less	-	2,848,995
Repurchase agreements collateralized by bills	499,744	-
	<u>\$ 3,251,313</u>	<u>\$ 4,550,068</u>

Rates of bank balance (%)

Demand deposits	0.00-0.20	0.00-0.24
Time deposits	-	0.25-0.28
Repurchase agreements collateralized by bills	0.25	-

7. FINANCIAL ASSETS AT FVTOCI – NON-CURRENT

	December 31	
	2021	2020
<u>Emerging marked shares</u>		
UHT Unitech Co Ltd. (UHT Ltd.)	\$ 12,705	\$ 16,731
<u>Unlisted ordinary shares</u>		
Aerovision Avionics Inc. (AAI)	32,016	31,037
Metro Consulting Service Ltd. (Metro Ltd.)	2,162	2,160
	<u>34,178</u>	<u>33,197</u>
	<u>\$ 46,883</u>	<u>\$ 49,928</u>

These investments in equity instruments are held for medium- to long-term strategic purposes and expect to earn profits from long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2021	2020
Notes receivable	\$ 16,203	\$ 48,561
<u>Trade receivables from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 8,398,365	\$ 8,765,624
Less: Allowance for impairment loss	(120)	(1,702)
	<u>\$ 8,398,245</u>	<u>\$ 8,763,922</u>

The Company's customers are mostly national defense organizations and international aerospace corporations. The international aerospace corporations' average credit period of sales of goods is 60 to 120 days. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company uses the lifetime expected loss provision for all trade receivables to providing for expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss

patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable, trade receivables and overdue receivables (accounted as other non-current assets):

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
<u>December 31, 2021</u>						
Expected credit loss rate	0%	2%	5%	50%	100%	
Gross carrying amount	\$ 8,409,628	\$ 4,234	\$ 706	\$ 6,954	\$ 6,285	\$ 8,427,807
Loss allowance (Lifetime ECL)	-	(85)	(35)	(3,477)	(6,285)	(9,882)
Amortized cost	<u>\$ 8,409,628</u>	<u>\$ 4,149</u>	<u>\$ 671</u>	<u>\$ 3,477</u>	<u>\$ -</u>	<u>\$ 8,417,925</u>
<u>December 31, 2020</u>						
Expected credit loss rate	0%	2%	5%	50%	100%	
Gross carrying amount	\$ 8,750,248	\$ 49,815	\$ 14,122	\$ 709	\$ 8,605	\$ 8,823,499
Loss allowance (Lifetime ECL)	-	(996)	(706)	(355)	(8,605)	(10,662)
Amortized cost	<u>\$ 8,750,248</u>	<u>\$ 48,819</u>	<u>\$ 13,416</u>	<u>\$ 354</u>	<u>\$ -</u>	<u>\$ 8,812,837</u>

The movements of the loss allowance of trade receivables and overdue receivables were as follows:

	<u>For the Year Ended December 31, 2021</u>	
	<u>Trade Receivables</u>	<u>Overdue Receivables</u>
Balance at January 1, 2021	\$ 1,702	\$ 8,960
Impairment loss recognized (reversed)	<u>(1,582)</u>	<u>802</u>
Balance at December 31, 2021	<u>\$ 120</u>	<u>\$ 9,762</u>
	<u>For the Year Ended December 31, 2020</u>	
	<u>Trade Receivables</u>	<u>Overdue Receivables</u>
Balance at January 1, 2020	\$ 4,430	\$ 14,700
Impairment loss reversed	(2,728)	(5,246)
Amounts written-off	<u>-</u>	<u>(494)</u>
Balance at December 31, 2020	<u>\$ 1,702</u>	<u>\$ 8,960</u>

9. INVENTORIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Raw materials	\$ 7,454,717	\$ 7,768,439
Work in progress	4,198,785	4,428,066
Inventory in transit	<u>302,270</u>	<u>-</u>
	<u>\$ 11,955,772</u>	<u>\$ 12,196,505</u>

The cost of inventories recognized as cost of goods sold was as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Recognition of inventory write-downs	\$ 194,982	\$ 224,670
Loss on disposal of inventories	48,524	66,836
Indemnity income	(13,817)	(143,880)
Income from sales of scraps	(18,492)	(17,877)

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>% of Ownership</u>	<u>Amount</u>	<u>% of Ownership</u>
<u>Investment in subsidiary</u>				
AIDC USA LLC (AIDC USA)	\$ 1,175,333	100	\$ 1,000,783	100
<u>Investment in associate</u>				
Jung Sheng Precision IND Co., Ltd. (JSPCO)	<u>10,910</u>	31.25	<u>28,243</u>	31.25
	<u>\$ 1,186,243</u>		<u>\$ 1,029,026</u>	

The investment of JSPCO were approved by the board of directors of the Company on December 20, 2019. In January 2020, the Company invested NT\$50,000 thousand and acquired 34.48% ownership of JSPCO. On March 20, 2020, the board of directors of JSPCO approved the cash injection to issue 1,500 thousand shares and the subscription base date was May 31, 2020. The Company did not participate in this subscription. Therefore, the Company's ownership interest in JSPCO was decreased to 31.25%.

Refer to "Table 4: Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associates.

The investments accounted for using the equity method and the share of profit or loss of the subsidiary were based on the financial statements which have been audited for the same years.

11. PROPERTY, PLANT AND EQUIPMENT

	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Property in Construction	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 120,739	\$ 6,622,514	\$ 14,471,791	\$ 765,175	\$ 910,354	\$ -	\$ 22,890,573
Additions	1,121	24,891	797,812	1,028	10,683	-	835,535
Disposals	-	-	(58,008)	(314)	(2,192)	-	(60,514)
Reclassification	-	-	402,448	-	-	-	402,448
Balance at December 31, 2021	<u>\$ 121,860</u>	<u>\$ 6,647,405</u>	<u>\$ 15,614,043</u>	<u>\$ 765,889</u>	<u>\$ 918,845</u>	<u>\$ -</u>	<u>\$ 24,068,042</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ 117,429	\$ 3,200,371	\$ 9,135,668	\$ 678,055	\$ 461,397	\$ -	\$ 13,592,920
Depreciation expense	796	175,131	863,435	21,977	61,315	-	1,122,654
Disposals	-	-	(57,944)	(314)	(2,192)	-	(60,450)
Balance at December 31, 2021	<u>\$ 118,225</u>	<u>\$ 3,375,502</u>	<u>\$ 9,941,159</u>	<u>\$ 699,718</u>	<u>\$ 520,520</u>	<u>\$ -</u>	<u>\$ 14,655,124</u>
Carrying amount at January 1, 2021	<u>\$ 3,310</u>	<u>\$ 3,422,143</u>	<u>\$ 5,336,123</u>	<u>\$ 87,120</u>	<u>\$ 448,957</u>	<u>\$ -</u>	<u>\$ 9,297,653</u>
Carrying amount at December 31, 2021	<u>\$ 3,635</u>	<u>\$ 3,271,903</u>	<u>\$ 5,672,884</u>	<u>\$ 66,171</u>	<u>\$ 398,325</u>	<u>\$ -</u>	<u>\$ 9,412,918</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 120,739	\$ 5,964,984	\$ 13,524,342	\$ 731,140	\$ 805,917	\$ 277,983	\$ 21,425,105
Additions	-	391,465	987,141	63,536	103,418	-	1,545,560
Disposals	-	-	(235,461)	(37,768)	(2,032)	-	(275,261)
Reclassification	-	266,065	195,769	8,267	3,051	(277,983)	195,169
Balance at December 31, 2020	<u>\$ 120,739</u>	<u>\$ 6,622,514</u>	<u>\$ 14,471,791</u>	<u>\$ 765,175</u>	<u>\$ 910,354</u>	<u>\$ -</u>	<u>\$ 22,890,573</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ 116,663	\$ 3,021,560	\$ 8,617,311	\$ 693,300	\$ 408,336	\$ -	\$ 12,857,170
Depreciation expense	766	178,811	753,797	22,523	55,093	-	1,010,990
Disposals	-	-	(139,983)	(37,768)	(2,032)	-	(179,783)
Impairment losses reversed	-	-	(95,457)	-	-	-	(95,457)
Balance at December 31, 2020	<u>\$ 117,429</u>	<u>\$ 3,200,371</u>	<u>\$ 9,135,668</u>	<u>\$ 678,055</u>	<u>\$ 461,397</u>	<u>\$ -</u>	<u>\$ 13,592,920</u>
Carrying amount at January 1, 2020	<u>\$ 4,076</u>	<u>\$ 2,943,424</u>	<u>\$ 4,907,031</u>	<u>\$ 37,840</u>	<u>\$ 397,581</u>	<u>\$ 277,983</u>	<u>\$ 8,567,935</u>
Carrying amount at December 31, 2020	<u>\$ 3,310</u>	<u>\$ 3,422,143</u>	<u>\$ 5,336,123</u>	<u>\$ 87,120</u>	<u>\$ 448,957</u>	<u>\$ -</u>	<u>\$ 9,297,653</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets:

Land improvements	2-50 years
Buildings	
Main buildings	20-45 years
Others	3-60 years
Machinery and equipment	2-40 years
Transportation equipment	2-15 years
Other equipment	2-35 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 29.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amount</u>		
Land	\$ 1,687,345	\$ 1,797,200
Buildings	2,208	4,157
Machinery and equipment	5,426	9,001
Other equipment	<u>5,956</u>	<u>2,814</u>
	<u>\$ 1,700,935</u>	<u>\$ 1,813,172</u>
<u>For the Year Ended December 31</u>		
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 9,390</u>	<u>\$ 407</u>
Depreciation charge for right-of-use assets		
Land	\$ 102,402	\$ 102,647
Buildings	4,781	4,789
Machinery and equipment	3,575	3,574
Other equipment	<u>3,375</u>	<u>3,433</u>
	<u>\$ 114,133</u>	<u>\$ 114,443</u>

b. Lease liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amount</u>		
Current	\$ 101,012	\$ 102,069
Non-current	<u>\$ 1,639,743</u>	<u>\$ 1,740,186</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Land	1.6%	1.6%
Buildings	1.6%	1.6%
Machinery and equipment	1.6%	1.6%
Other equipment	1.6%	1.6%

c. Material lease-in activities and terms

The Company leases land and buildings for the use of plants and office with lease terms of 2 to 42 years.

The Company leased a land located in Xitun District, Taichung City. After the re-measurement, some parts of the land were actually outside the scope of the Company, so the leased area was reduced and the lease agreement was revised. The lease period of the land is from January 1, 2021 to December 31, 2027. In addition, the Company leased a land located in Shalu factory, Taichung City. The rental amount was adjusted for any changes based on the announcement of the land price and re-measurement of the leased area. The lease period of the land is from January 1, 2021 to December 31, 2056.

The Company negotiated with National Property Administration, Ministry of Finance (NPA) on rent concessions for land lease. The NPA agreed to provide unconditional 20% rent reduction from January 1, 2021 to June 30, 2022, and from January 1, 2020 to December 31, 2020, and deferral of rentals for January 1, 2021 to June 30, 2021, with the amount payable on September 30, 2021; and the deferral of rentals for January 1, 2020 to September 30, 2020, with the amount payable on December 31, 2020. The Company recognized rent concessions of NT\$24,025 thousand and NT\$24,069 thousand in profit or loss for the years ended December 31, 2021 and 2020, respectively.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ 13,777	\$ 40,111
Expenses relating to low-value asset leases	\$ 732	\$ 1,576
Total cash outflow for leases	\$ (108,302)	\$ (149,950)

The Company's leases of certain machinery and equipment, buildings and transportation equipment qualify as short-term leases, and certain machinery and equipment, transportation equipment and other equipment qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

13. INTANGIBLE ASSETS

	December 31	
	2021	2020
<u>Other intangible assets</u>		
Computer software	\$ 41,972	\$ 69,754
Deferred technical cooperation expenses	48,779	17,773
Patent	1,151	1,235
Trademark	112	90
	92,014	88,852
<u>Intangible assets in development</u>		
Non-recurring costs of projects	814,530	1,067,469
	\$ 906,544	\$ 1,156,321

	Other Intangible Assets	Intangible Assets in Development
<u>Cost</u>		
Balance at January 1, 2021	\$ 1,102,413	\$ 6,968,839
Additions from internal developments	-	111,085
Additions	55,400	-
Disposals	(5,939)	(42,090)
	<u>\$ 1,151,874</u>	<u>\$ 7,037,834</u>

Accumulated amortization and impairment

Balance at January 1, 2021	\$ 1,013,561	\$ 5,901,370
Amortization expense	52,238	159,002
Disposals	(5,939)	(42,090)
Impairment losses recognized	-	205,022
	<u>\$ 1,059,860</u>	<u>\$ 6,223,304</u>
Balance at December 31, 2021		
Carrying amount at December 31, 2021	<u>\$ 92,014</u>	<u>\$ 814,530</u>

Cost

Balance at January 1, 2020	\$ 1,093,782	\$ 6,690,953
Additions from internal developments	-	268,446
Additions	14,656	-
Disposals	(6,171)	(412)
Reclassification	146	9,852
	<u>\$ 1,102,413</u>	<u>\$ 6,968,839</u>

Accumulated amortization and impairment

Balance at January 1, 2020	\$ 947,417	\$ 5,590,462
Amortization expense	72,315	268,645
Disposals	(6,171)	(412)
Impairment losses recognized	-	42,675
	<u>\$ 1,013,561</u>	<u>\$ 5,901,370</u>
Balance at December 31, 2020		
Carrying amount at December 31, 2020	<u>\$ 88,852</u>	<u>\$ 1,067,469</u>

Non-recurring costs of projects include the costs related to product design, tooling design and fabrication, production planning, specimen and prototype trial fabrication. Deferred technical cooperation expenses include the participation fees or royalties for participation in international cooperation and development of new business. The amounts were allocated by the proportion of actual sales volume divided by expected sales volume.

Due to the impact of COVID-19 and change in the global consumer market demand for aircraft/vehicle maintenance, the Company estimated that expected future cash flows from non-recurring costs of projects have decreased. The Company carried out a review of the recoverable amount of non-recurring costs of projects and determined that the carrying amount exceeded the recoverable amount. The review led to the

recognition of an impairment loss of \$205,022 thousand and \$42,675 thousand for the years ended December 31, 2021 and 2020, respectively. The Company adopts value in use as the recoverable amount of this intangible assets in development. This impairment loss is included in other gains and losses in the statements of profit or loss.

The above items of intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets:

Trademark	10-25 years
Patent	10-20 years
Computer software	2-3 years

14. OTHER FINANCIAL ASSETS

Other financial assets are time deposits with original maturities over three months from the date of acquisition; for pledged assets information, refer to Note 29. The market rates of the time deposits for the years ended December 31, 2021 and 2020 were both 0.18%-1.065%.

15. OTHER ASSETS

	December 31	
	2021	2020
<u>Current</u>		
Prepayment	\$ 2,282,358	\$ 2,890,872
Others	<u>127,089</u>	<u>186,423</u>
	<u>\$ 2,409,447</u>	<u>\$ 3,077,295</u>
<u>Non-current</u>		
Overdue receivables (Note 8)	\$ 13,239	\$ 9,314
Less: Allowance for impairment loss	<u>(9,762)</u>	<u>(8,960)</u>
	3,477	354
Refundable deposits	53,503	60,140
Others	<u>33,108</u>	<u>26,224</u>
	<u>\$ 90,088</u>	<u>\$ 86,718</u>

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Credit borrowings	<u>\$ 1,200,000</u>	<u>\$ 3,710,000</u>
Rate of interest per annum (%)	0.514-0.670	0.513-0.715

b. Short-term bills payable

	December 31	
	2021	2020
Commercial paper	\$ 8,640,000	\$ 11,700,000
Less: Unamortized discount on bills payable	<u>(3,072)</u>	<u>(3,713)</u>
	<u>\$ 8,636,928</u>	<u>\$ 11,696,287</u>
Rate of interest per annum (%)	0.36-0.43	0.26-0.36

c. Long-term borrowings

	December 31	
	2021	2020
Credit borrowings	<u>\$ 1,180,000</u>	<u>\$ 3,260,000</u>
Rate of interest per annum (%)	0.68-0.75	0.65-0.94

17. BONDS PAYABLE

	December 31	
	2021	2020
Unsecured domestic bonds	\$ 6,450,000	\$ 3,000,000
Less: Unamortized discount on bonds payable	<u>(6,221)</u>	<u>(2,986)</u>
	<u>\$ 6,443,779</u>	<u>\$ 2,997,014</u>

In September 2019, the Company issued a 5-year NTD-denominated unsecured bonds of \$3,000,000 thousand at 0.71% in Taiwan. An interest per annum will be paid at the simple coupon rate, and the repayment is due 5 years from the date of issuance.

In May 2021, the Company issued a 7-year NTD-denominated unsecured bonds of \$3,450,000 thousand at 0.52% in Taiwan. An interest per annum will be paid at the simple coupon rate, and the due date for repayment is 7 years from the date of issuance.

18. OTHER PAYABLES

	December 31	
	2021	2020
Payables for salaries and bonuses	\$ 896,600	\$ 872,684
Payables for outsourcing	599,274	653,023
Payables for annual leave	207,269	103,902
Payables for service fee	107,473	85,797
Payables for purchase of equipment	44,620	247,717
Payables for compensation of employees and remuneration of directors	31,978	21,239
Others	<u>748,896</u>	<u>711,300</u>
	<u>\$ 2,636,110</u>	<u>\$ 2,695,662</u>

19. PROVISIONS - NON-CURRENT

	December 31	
	2021	2020
Warranties	\$ 364,974	\$ 342,808
Others	<u>49,684</u>	<u>99,367</u>
	<u>\$ 414,658</u>	<u>\$ 442,175</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of other events affecting product quality.

Others refer to the obligation of the Company to improve its Taichung Complex groundwater pollution remediation site as ordered by the Environmental Protection Administration. The Company has the obligation to improve this site and recognized the discounted value of the best estimate of the remediation expenses as provisions.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes to a pension fund administered by the pension fund monitoring committee; the amounts of contributions were equal to 16.96% and 16.57% of total monthly salaries and wages for the years ended December 31, 2021 and 2020, respectively. Pension contributions are deposited in the Bank of Taiwan in the committee's name and are managed by the Bureau of Labor Funds, Ministry of Labor. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 2,773,546	\$ 2,496,373
Fair value of plan assets	<u>(2,812,278)</u>	<u>(2,502,906)</u>
Net defined benefit assets	<u>\$ (38,732)</u>	<u>\$ (6,533)</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	\$ 2,245,092	\$ (2,183,279)	\$ 61,813
Service cost			
Current service cost	411,007	-	411,007
Net interest expense (income)	<u>14,326</u>	<u>(15,257)</u>	<u>(931)</u>
Recognized in profit or loss	<u>425,333</u>	<u>(15,257)</u>	<u>410,076</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(67,076)	(67,076)
Actuarial loss - changes in financial assumptions	63,507	-	63,507
Actuarial gain - experience adjustments	<u>(64,777)</u>	<u>-</u>	<u>(64,777)</u>
Recognized in other comprehensive income	<u>(1,270)</u>	<u>(67,076)</u>	<u>(68,346)</u>
Contributions from the employer	-	(410,076)	(410,076)
Benefits paid	<u>(172,782)</u>	<u>172,782</u>	<u>-</u>
Balance at December 31, 2020	<u>2,496,373</u>	<u>(2,502,906)</u>	<u>(6,533)</u>
Service cost			
Current service cost	385,017	-	385,017
Net interest expense (income)	<u>6,119</u>	<u>(6,616)</u>	<u>(497)</u>
Recognized in profit or loss	<u>391,136</u>	<u>(6,616)</u>	<u>384,520</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(37,846)	(37,846)
Actuarial loss - changes in demographic assumptions	51,378	-	51,378
Actuarial gain - changes in financial assumptions	<u>(39,485)</u>	<u>-</u>	<u>(39,485)</u>
Actuarial gain - experience adjustments	<u>(6,246)</u>	<u>-</u>	<u>(6,246)</u>
Recognized in other comprehensive loss (income)	<u>5,647</u>	<u>(37,846)</u>	<u>(32,199)</u>
Contributions from the employer	-	(384,520)	(384,520)
Benefits paid	<u>(119,610)</u>	<u>119,610</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 2,773,546</u>	<u>\$ (2,812,278)</u>	<u>\$ (38,732)</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Pension Fund or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rate(s)	0.50%	0.25%
Expected rate(s) of salary increase	1.50%	1.50%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2021	2020
Discount rate(s)		
0.25% increase	\$ (39,578)	\$ (39,975)
0.25% decrease	\$ 40,463	\$ 40,939
Expected rate(s) of salary increase		
0.25% increase	\$ 39,960	\$ 40,329
0.25% decrease	\$ (39,288)	\$ (39,585)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
The expected contributions to the plan for the next year	\$ 370,535	\$ 384,520
The average duration of the defined benefit obligation	5.7 years	6.2 years

21. EQUITY

a. Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	1,500,000	1,500,000
Shares authorized	\$ 15,000,000	\$ 15,000,000
Number of shares issued and fully paid (in thousands)	941,867	941,867
Shares issued	\$ 9,418,671	\$ 9,418,671

b. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that the annual net income after paying income tax should be used first to make up for prior years' losses, set aside 10% as a legal reserve and appropriate or reverse special reserve. The residual earnings will be allocated by the resolution in the shareholders' meeting. For information about the accrual basis of the compensation of employees and remuneration of directors and supervisors and the actual appropriations, please refer to Note 23 (d).

Profits of the Company may be distributed by way of cash dividend or share dividend. Distribution of profits shall be made preferably by way of cash dividend. However, the ratio of share dividend shall not exceed 50% of total distribution.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's capital surplus. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's capital surplus, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No. 1090150022 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from special reserve.

The appropriations of earnings for 2020 and 2019 have been approved in the shareholders' meetings on August 13, 2021 and May 29, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 45,053	\$ 189,079		
Special reserve	118,836	29,809		
Reversal of special reserve	(29,809)	(621,020)		
Cash dividends	188,373	1,120,822	\$ 0.2	\$ 1.19

The appropriations of earnings for 2021 were proposed by the Company's board of directors on March 28, 2022. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 58,377	
Special reserve	153,820	
Reversal of special reserve	(118,836)	
Cash dividends	329,653	\$ 0.35

The appropriations of earnings for 2021 are subject to the resolution of the shareholders in their meeting to be held in May 2022.

22. REVENUE

a. Sales revenue

	For the Year Ended December 31	
	2021	2020
Aircraft/vehicle maintenance	\$ 14,859,432	\$ 14,026,669
Aero/industrial engine	8,311,780	6,421,779
Industrial technology services	<u>539,981</u>	<u>572,431</u>
	<u>\$ 23,711,193</u>	<u>\$ 21,020,879</u>

b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Contract assets			
Aircraft/vehicle maintenance	\$ 530,666	\$ 915,060	\$ 1,197,331
Others	<u>-</u>	<u>39,030</u>	<u>82,383</u>
	<u>\$ 530,666</u>	<u>\$ 954,090</u>	<u>\$ 1,279,714</u>
Contract liabilities			
Aircraft/vehicle maintenance	\$ 1,492,907	\$ 1,456,733	\$ 557,446
Others	<u>23,628</u>	<u>24,003</u>	<u>26,673</u>
	<u>\$ 1,516,535</u>	<u>\$ 1,480,736</u>	<u>\$ 584,119</u>

The Company measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk characteristics as the trade receivables. Therefore, the Company concluded that the expected loss rates for trade receivables can be applied to the contract assets.

	December 31	
	2021	2020
Expected credit loss rate	0%	0%
Gross carrying amount	\$ 530,666	\$ 954,090
Allowance for impairment loss (Lifetime ECLs)	<u>-</u>	<u>-</u>
	<u>\$ 530,666</u>	<u>\$ 954,090</u>

23. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2021	2020
Remedy income	\$ 524,793	\$ 679,652
Other income from condoned liabilities	13,612	2,168
Indemnity income	6,925	2,767
Others	<u>56,424</u>	<u>65,542</u>
	<u>\$ 601,754</u>	<u>\$ 750,129</u>

b. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Impairment loss	\$ (205,022)	\$ (42,675)
Net foreign exchange losses	(145,231)	(339,044)
Loss on disposal of property, plant and equipment	(63)	(21)
Others	<u>(184,824)</u>	<u>(171,016)</u>
	<u>\$ (535,140)</u>	<u>\$ (552,756)</u>

c. Employee benefits, depreciation and amortization

	Operating Cost	Operating Expense	Non-operating Expense	Transfer to Developing Intangible Assets	Capital cost	Total
For the Year Ended December 31, 2021						
Employee benefits expense						
Salaries expense	\$ 4,229,042	\$ 541,751	\$ 14,519	\$ 28,714	\$ -	\$ 4,814,026
Retirement benefit						
Defined contribution plans	84,178	12,791	161	667	-	97,797
Defined benefit plans	330,971	50,291	634	2,624	-	384,520
Remuneration of directors	-	6,264	-	-	-	6,264
Labor and health insurance	313,716	36,358	68,427	2,150	-	420,651
Other employee benefits	36,875	4,236	7,911	20	-	49,042
Depreciation expense	1,138,331	66,402	18,371	13,683	-	1,236,787
Amortization expense	206,415	12,470	34	2,257	-	221,176
For the Year Ended December 31, 2020						
Employee benefits expense						
Salaries expense	4,122,016	496,993	10,694	54,846	1,632	4,686,181
Retirement benefit						
Defined contribution plans	120,276	16,845	276	1,645	51	139,093
Defined benefit plans	354,597	49,663	814	4,850	152	410,076
Remuneration of directors	-	5,058	-	-	-	5,058
Labor and health insurance	313,051	30,575	65,074	3,917	95	412,712
Other employee benefits	35,255	3,416	7,199	23	27	45,920
Depreciation expense	999,965	68,836	19,204	36,846	582	1,125,433
Amortization expense	322,498	17,373	30	8,889	8	348,798

In 2021 and 2020, the Company's average number of employees was 5,198 and 5,304, respectively, and there were both 7 non-employee directors. The head count basis was the same as the basis of employee benefits expense.

In 2021 and 2020, the Company's average employee benefits expense was \$1,111 thousand and \$1,075 thousand, respectively, and the average employee salary expense was \$927 thousand and \$885 thousand, respectively. The average employee salary increased by 4.7% in 2021.

Under the dividends policy as set forth in the Company's Articles of Incorporation, distribution of remuneration of directors are subject to the approval of the remuneration committee and the board of directors. When the directors of the Company perform their duties, the board of directors are authorized to discuss the domestic and foreign industry standards. If the Company makes a profit during the year, the remuneration shall be distributed in accordance with Article 28 of the Company's Articles of Incorporation.

The compensation of the Company's managers and employees includes salary, bonuses and compensation of employees. The compensation policy is based on academic qualifications and experience, with reference to the salary level of the same industry, position held in the Company; in addition, employees are evaluated based on their responsibilities, achievements, contributions, and also annual company operating results.

d. Compensation of employees and remuneration of directors

The Company accrues distribution of compensation of employees and remuneration of directors at the rates no less than 0.58% and no higher than 4.65%, respectively, of net profit before income tax.

The compensation of employees and remuneration of directors for 2021 and 2020 which were resolved by the board of directors on March 28, 2022 and March 26, 2021 were as follows:

	For the Year Ended December 31			
	2021		2020	
	The Proportion of Estimate	Amount of Money	The Proportion of Estimate	Amount of Money
Compensation of employees	4.65%	\$ 28,432	4.65%	\$ 18,883
Remuneration of directors	0.58%	3,546	0.58%	2,356

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and the remuneration of directors resolved by the Company's board of directors in are available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2021	2020
Foreign exchange gains	\$ 116,701	\$ 310,875
Foreign exchange losses	(261,932)	(649,919)
Net losses	<u>\$ (145,231)</u>	<u>\$ (339,044)</u>

f. Finance costs

Information about capitalized interest is as follows:

	For the Year Ended December 31	
	2021	2020
Capitalized interest amount	\$ 424	\$ 5,334
Capitalization rate (%)	0.94	0.93-1.11

24. TAXES

a. Tax expense recognized in profit or loss

Major components of tax expense is as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
Adjustments for prior years	\$ -	\$ (2,938)
In respect of the current year	-	46
	-	(2,892)
Deferred tax		
In respect of the current year	<u>53,413</u>	<u>13,127</u>
Income tax expense recognized in profit or loss	<u>\$ 53,413</u>	<u>\$ 10,235</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2021	2020
Income tax expense calculated at the statutory rate (20%)	\$ 122,285	\$ 81,219
Nondeductible expenses in determining taxable income	3,467	4,400
Tax-exempt income	(88,802)	(117,380)
Temporary differences	38,996	44,934
Investment credits	(22,533)	-
Adjustments for prior years' tax	-	(2,938)
Income tax expense recognized in profit or loss	<u>\$ 53,413</u>	<u>\$ 10,235</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Company only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

According to the “Regulations Governing Application of Tax Credits for Corporate or Limited Partnership in Smart Machines and 5th Generation Mobile Networks”, the Company deducted the value of profitable business within the 5% limit of the investment in smart machinery and did not exceed 30% of the income from profit-making business.

b. Income tax recognized in other comprehensive income (loss)

	For the Year Ended December 31	
	2021	2020
Deferred tax		
Remeasurement of defined benefit plan	<u>\$ 6,440</u>	<u>\$ 13,669</u>

c. Deferred tax assets and liabilities

	For the Year Ended December 31, 2021			
		Recognized in	Other	
	Opening Balance	Profit or Loss	Comprehensive Income (Loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Provisions	\$ 88,435	\$ (5,503)	\$ -	\$ 82,932
Intangible assets	77,470	41,004	-	118,474
Property plant and equipment	5,252	-	-	5,252
Payables for annual leave	20,780	20,673	-	41,453
Unrealized loss on foreign currency exchange	45,341	(40,565)	-	4,776
Loss carryforwards	81,702	(27,875)	-	53,827
Other	657	155	-	812
	<u>\$ 319,637</u>	<u>\$ (12,111)</u>	<u>\$ -</u>	<u>\$ 307,526</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 155,839	\$ 41,302	\$ -	\$ 197,141
Defined benefit plan	1,306	-	6,440	7,746
	<u>\$ 157,145</u>	<u>\$ 41,302</u>	<u>\$ 6,440</u>	<u>\$ 204,887</u>

	For the Year Ended December 31, 2020			
		Recognized in	Other	
	Opening Balance	Profit or Loss	Comprehensive Income (Loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Provisions	\$ 110,311	\$ (21,876)	\$ -	\$ 88,435
Intangible assets	68,935	8,535	-	77,470
Property plant and equipment	24,343	(19,091)	-	5,252
Payables for annual leave	33,197	(12,417)	-	20,780
Defined benefit plan	12,363	-	(12,363)	-
Unrealized loss on foreign currency exchange	52,710	(7,369)	-	45,341
Right-of-use assets	3,270	(3,270)	-	-
Loss carryforwards	-	81,702	-	81,702
Other	502	155	-	657
	<u>\$ 305,631</u>	<u>\$ 26,369</u>	<u>\$ (12,363)</u>	<u>\$ 319,637</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 116,343	\$ 39,496	\$ -	\$ 155,839
Defined benefit plan	-	-	1,306	1,306
	<u>\$ 116,343</u>	<u>\$ 39,496</u>	<u>\$ 1,306</u>	<u>\$ 157,145</u>

d. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2021	2020
Deductible temporary differences		
Inventories	<u>\$ 2,375,605</u>	<u>\$ 2,180,623</u>

e. Unused loss carryforwards

	December 31	
	2021	2020
Loss carryforwards		
Expiry in 2030	<u>\$ 269,135</u>	<u>\$ 408,512</u>

f. Income tax assessments

Income tax returns of the Company through 2019 have been examined and cleared by the tax authorities.

25. EARNINGS PER SHARE

Unit: NTS Per Share

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Basic earnings per share	\$ <u>0.59</u>	\$ <u>0.42</u>
Diluted earnings per share	\$ <u>0.59</u>	\$ <u>0.42</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Net Profit for the Year</u>		
Earnings used in the computation of basic earnings per share (Earnings used in the computation of diluted earnings per share)	\$ <u>558,013</u>	\$ <u>395,858</u>
<u>Weighted average number of ordinary shares outstanding (in thousands of shares)</u>		
Weighted average number of ordinary shares in computation of basic earnings per share	941,867	941,867
Effect of potentially dilutive ordinary shares Compensation of employees issued to employees	<u>1,121</u>	<u>1,653</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>942,988</u>	<u>943,520</u>

The Company may settle compensation or bonuses to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares, if dilutive, are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares should be included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. CAPITAL MANAGEMENT

The Company must maintain adequate capital necessary for profitable operations and business expansion, equipment upgrade, participation in international new aircraft developing and engine development cooperation project. Therefore, the Company manages its capital to ensure that the Company will have enough financial resources to respond accordingly to its working capital requirements at least for the next 12 months, capital expenditures, participation in international new aircraft developing and repayments of liabilities.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents and other financial assets) and equity (comprising ordinary shares, retained earnings and other equity).

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management considers the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2021</u>				
Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	\$ 12,705	\$ -	\$ -	\$ 12,705
Unlisted shares	-	-	34,178	34,178
	<u>\$ 12,705</u>	<u>\$ -</u>	<u>\$ 34,178</u>	<u>\$ 46,883</u>

December 31, 2020

Financial assets at FVTOCI				
Investments in equity instruments				
Emerging market shares	\$ 16,731	\$ -	\$ -	\$ 16,731
Unlisted shares	-	-	33,197	33,197
	<u>\$ 16,731</u>	<u>\$ -</u>	<u>\$ 33,197</u>	<u>\$ 49,928</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020, respectively.

2) Reconciliation of Level 3 fair value measurements of financial instruments

<u>Financial Assets</u>	<u>Financial Assets at FVTOCI Equity Instruments</u>
<u>For the Year Ended December 31, 2021</u>	
Balance at January 1, 2021	\$ 33,197
Recognized in other comprehensive income	<u>981</u>
Balance at December 31, 2021	<u>\$ 34,178</u>
<u>For the Year Ended December 31, 2020</u>	
Balance at January 1, 2020	\$ 33,830
Recognized in other comprehensive loss	<u>(633)</u>
Balance at December 31, 2020	<u>\$ 33,197</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The marketable securities of unlisted shares held the Company is estimated using the evaluation method, when there is no market price for reference. The fair value of unlisted shares was evaluated using asset-based approach of the investees.

c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at amortized cost	\$ 11,917,668	\$ 13,614,975
Investments in equity instruments at FVTOCI - non-current	46,883	49,928
<u>Financial liabilities</u>		
Financial liabilities at amortized cost	21,263,744	24,904,728

Financial assets at amortized cost comprise cash and cash equivalents, notes receivable, trade receivables, other receivables, overdue receivables, other financial assets and refundable deposits.

Financial liabilities at amortized cost comprise short-term borrowings, short-term bills payable, trade payables, other payables (excluded payables for salaries and bonuses, payables for annual leave and payables for compensation of employees and remuneration of directors), bonds payable, other financial liabilities (accounted at other current liabilities), long-term borrowings (included not later than one year) and guarantee deposits.

d. Financial risk management objectives

The Company's major financial risk management objectives are to manage the market risk (including currency risk and interest rate risk), credit risk and liquidity risk of operating activities. The Company minimizes the unfavorable effects of these risks by identification and assessment of the risks and by applying aversion methods to the uncertainties.

The Company's financial targets including its investment plan for property, plant and equipment are laid out in its "Five-Year Business Plan". The financial plan includes risk management policies and the division of responsibilities.

The Company's major financial instruments include cash and cash equivalents, trade receivable, short-term borrowings, short-term bills payable, trade payables, bonds payable and long-term borrowings. The financial department coordinates access to domestic financial markets.

1) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

Foreign currency risk

The Company minimizes its currency exposure by natural hedging. Foreign currency operation performance is reported to the key management personnel every quarter and the expected foreign currency and operation direction are set for the next quarter.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Company was mainly exposed to the US dollar. The Company's sensitivity to an increase or decrease of 0.5% in New Taiwan dollars against the relevant foreign currencies means profit before income tax would increase/decrease by \$25,167 thousand and \$35,741 thousand for the years ended December 31, 2021 and 2020, respectively. The sensitivity rate of 0.5% represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, with the foreign currency rates at the end of the reporting period adjusted for a 0.5% change.

Interest rate risk

The Company's interest risk is evaluated in terms of short-term borrowings, short-term bills payable, bonds payable, long-term borrowings and lease liabilities. Borrowing and repayment require budget planning in advance to control the interest risk. Interest rates of short-term loans from different financial organizations are compared and lowest one will be selected.

Sensitivity analysis

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by \$5,250 thousand and \$9,900 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings. 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The possible financial loss would equal to the carrying amount of the recognized financial assets as stated in the balance sheets. However, the Company is executing forward exchange only with the correspondent financial institutions, and they are creditworthy with no credit risks.

The Company's dealing counterparties are national defence organizations and international aerospace corporations, and they are creditworthy with extreme low risk of bankruptcy. The Company's key management checks the accounts receivable every month, and instructs the project team to collect the past due amounts.

The Company's concentration of credit risk by geographical location was mainly in the United States, which accounted for 29% and 21% of the total trade receivables as of December 31, 2021 and 2020, respectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Company had available unutilized bank loan facilities as set out in (b) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following tables details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

Non-derivative Financial Liabilities	Less than 1 Year	1 to 5 Year	More than 5 Year
<u>December 31, 2021</u>			
Non-interest bearing liabilities	\$ 3,608,936	\$ 194,101	\$ -
Lease liabilities	116,458	487,150	1,577,592
Variable interest rate liabilities	1,200,000	900,000	-
Fixed interest rate liabilities	<u>8,640,000</u>	<u>3,280,000</u>	<u>3,450,000</u>
	<u>\$ 13,565,394</u>	<u>\$ 4,861,251</u>	<u>\$ 5,027,592</u>

December 31, 2020

Non-interest bearing liabilities	\$ 3,061,718	\$ 179,709	\$ -
Lease liabilities	130,825	487,291	1,697,931
Variable interest rate liabilities	2,000,000	1,184,615	775,385
Fixed interest rate liabilities	<u>13,410,000</u>	<u>4,300,000</u>	<u>-</u>
	<u>\$ 18,602,543</u>	<u>\$ 6,151,615</u>	<u>\$ 2,473,316</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities (reviewed annually)

	<u>December 31</u>	
	2021	2020
Unsecured bank overdraft facility:		
Amount unused	<u>\$ 21,966,210</u>	<u>\$ 18,006,995</u>

28. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and related parties are disclosed below.

a. Related Party Categories/Names

Related Party Name	Relationship with the Company
AIDC USA	Subsidiary
ITEC	Associate
JSPCO	Associate
Ministry of Economic Affairs	Corporate director

b. Sales of goods

Related Party Name	For the Year Ended December 31	
	2021	2020
ITEC	\$ 1,083,732	\$ 312,780
JSPCO	<u>109</u>	<u>137</u>
	<u>\$ 1,083,841</u>	<u>\$ 312,917</u>

The Company's sales prices are based on the contracts. The collection terms are as follows:

Item	Collection Terms
Engine	90 days after the invoice date
Backup parts	Offset accounts receivable with accounts payable

There is no unrelated party with similar product item to compare the engine sales price. The backup parts are no significant difference between the sale price and conditions for related parties and non-related parties, and collection term is 1-2 months.

c. Purchase of goods

Related Party Name	For the Year Ended December 31	
	2021	2020
ITEC	\$ 650,418	\$ 422,139
AIDC USA	<u>3,147</u>	<u>2,422</u>
	<u>\$ 653,565</u>	<u>\$ 424,561</u>

The Company's buying prices from related party are based on contract. The payment term in principle is 1-2 months or paying after offset of accounts receivable. There are no unrelated parties with similar product items that can serve as basis of comparison of prices and terms.

d. Manufacturing expenses

Related Party Name	For the Year Ended December 31	
	2021	2020
ITEC	\$ 380,283	\$ 731,854
JSPCO	53,629	57,483
AIDC USA	<u>19,011</u>	<u>24,736</u>
	<u>\$ 452,923</u>	<u>\$ 814,073</u>

e. Operation expenses

Related Party Name	For the Year Ended December 31	
	2021	2020
AIDC USA	<u>\$ 18,537</u>	<u>\$ 22,483</u>

f. Receivables from related parties

Related Party Name	December 31	
	2021	2020
ITEC	\$ 134,345	\$ 99,409
JSPCO	<u>30</u>	<u>4</u>
	<u>\$ 134,375</u>	<u>\$ 99,413</u>

The outstanding trade receivables from related parties are unsecured. No impairment loss and expected credit loss were recognized on trade receivables from related parties.

g. Other current assets

Related Party Name	December 31	
	2021	2020
ITEC	<u>\$ 114,576</u>	<u>\$ 441,288</u>

h. Payables to related parties

Related Party Name	December 31	
	2021	2020
ITEC	\$ 110,937	\$ 101,685
AIDC USA	<u>349</u>	<u>497</u>
	<u>\$ 111,286</u>	<u>\$ 102,182</u>

The outstanding trade payables to related parties are unsecured.

i. Other payables

Related Party Name	December 31	
	2021	2020
JSPCO	\$ 13,566	\$ 11,980
AIDC USA	<u>2,881</u>	<u>3,894</u>
	<u>\$ 16,447</u>	<u>\$ 15,874</u>

j. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term benefits	\$ 26,559	\$ 32,415
Post-employment benefits	<u>1,805</u>	<u>1,806</u>
	<u>\$ 28,364</u>	<u>\$ 34,221</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following other financial assets and property, plant and equipment were provided as collateral for obligation:

	December 31	
	2021	2020
Property, plant and equipment	\$ 1,902,950	\$ 1,976,291
Other financial assets - current	3,893	4,008
Other financial assets - non-current	<u>41,753</u>	<u>47,841</u>
	<u>\$ 1,948,596</u>	<u>\$ 2,028,140</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company were as follows:

- As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$578,638 thousand and \$363,428 thousand, respectively.
- As of December 31, 2021 and 2020, unpaid contract for purchases of raw materials and machinery and equipment amounted to approximately \$24,657,392 thousand and \$26,234,958 thousand, respectively.

- c. The Company intended to lease land from Taiwan Sugar Co., Ltd. (Taiwan Sugar Company) for the purpose of sustainable operations, which was approved by the board of directors on February 7, 2020. The Company had signed a land agreement with Taiwan Sugar Company and paid \$33,787 thousand as security deposit. According to the contract, the Company needs to apply for a change of land use before leasing the land. At that time, the Company signed a lease agreement with Taiwan Sugar Company and paid \$39,121 thousand as compensation.

31. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	December 31					
	2021			2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Assets</u>						
Monetary items						
USD	\$ 208,476	27.68	\$ 5,770,616	\$ 257,919	28.48	\$ 7,345,533
Non-monetary items						
USD	42,461	27.68	1,175,333	35,140	28.48	1,000,783
<u>Liabilities</u>						
Monetary items						
USD	26,637	27.68	737,312	6,929	28.48	197,338

The significant unrealized foreign exchange losses were as follows:

Foreign Currency	For the Year Ended December 31			
	2021		2020	
	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Loss
USD	27.68	<u>\$ (23,474)</u>	28.48	<u>\$ (226,205)</u>

32. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investment in subsidiary, associates and joint controlled entities). (Table 1)
- 4) Marketable securities acquired and disposed at costs or prices at least \$300 million or 20% of the paid-in capital. (None)

- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 2)
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 3)
- 9) Trading in derivative instruments. (None)
- 10) Information on investees. (Table 4)

- b. Information on investments in mainland China. (None)

- c. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 5)

TABLE 1

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

MARKETABLE SECURITIES HELD
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars or Shares, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value
The Company	<u>Share capital</u>						
	UHT Ltd.	-	Financial assets at FVTOCI - non-current	1,100	\$ 12,705	2.94%	\$ 12,705
	AAI	The Company is a corporate director.	Financial assets at FVTOCI - non-current	4,968	32,016	13.09%	32,016
	Metro Ltd.	The Company is a corporate director.	Financial assets at FVTOCI - non-current	300	2,162	6%	2,162

Note: Information about subsidiary and associates is provided in Table 4.

TABLE 2

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Purchaser or Seller	Related Party	Nature of Relationship with the Purchaser or Seller	Transaction Details				Abnormal Transaction		Notes and Accounts Receivable (Payable)		Note
			Purchase (Sale)	Amount	% to Total	Collection Terms	Unit Price	Collection Terms	Ending Balance	% to Total	
The Company	ITEC	Associate	Sales Purchases	\$ (1,083,732) 650,418	(5) 6	Note Note	Note Note	Note Note	\$ 134,345 (110,937)	2 (5)	

Note: Information is provided in Note 28.

TABLE 3

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	ITEC	Associate	\$ 134,345	9.27	\$ -	-	\$ 134,345	\$ -

TABLE 4

AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND SUBSIDIARY

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars or Shares, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	%	Carrying Amount			
The Company	AIDC USA	Delaware, USA	Provide program management and relevant services for purchasing and selling raw materials, parts and components of aircraft, engines and subsystems.	\$ 288,661	\$ 288,661	-	100	\$ 1,175,333	\$ 213,290	\$ 206,509 (Note)	Subsidiary
	JSPCO	Kaohsiung City, ROC	Design, maintain and manufacture of moulds, jigs, fixtures and mechanical parts	50,000	50,000	5,000,000	31.25	10,910	(55,464)	(17,333)	Associate
AIDC USA	ITEC	Delaware, USA	Development, production and remodel of aircraft	728	728	-	22.05	1,123,975	1,226,437	263,648	Associate

Note: The share of profits of subsidiary included the effect of unrealized gross profit on intercompany transactions.

Table 5**AEROSPACE INDUSTRIAL DEVELOPMENT CORPORATION AND
SUBSIDIARY****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares (In Thousands)	Percentage of Ownership (%)
Ministry of Economic Affairs	331,302	35.17

Note: The information of major shareholders is based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company as of December 31, 2021. The share capital in financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

7. Insolvency and the Effect on the Financial Position of the Company:

There is no insolvency to the Company and its affiliated enterprises in previous year to the date this report was printed, and there is no effect on the financial position of the Company.

VII. Financial Position and Review of Financial Performance and Risk

1. Review and Analysis of Financial Position:

1.1 Review and Analysis of Consolidated Financial Position:

Unit : NT\$ thousands

Title \ Fiscal Year	2020	2021	Difference	
			Amount	%
Current Assets	29,794,603	26,785,421	(3,009,182)	(10.10)
Real Properties, Plant and Equipment	9,297,868	9,413,000	115,132	1.24
Intangible Assets	1,156,391	906,575	(249,816)	(21.60)
Other Assets (Note 2)	3,775,438	3,642,896	(132,542)	(3.51)
Total Assets	44,024,300	40,747,892	(3,276,408)	(7.44)
Current Liabilities	21,187,090	16,305,592	(4,881,498)	(23.04)
Noncurrent Liability	8,872,938	10,117,613	1,244,675	14.03
Total Liabilities	30,060,028	26,423,205	(3,636,823)	(12.10)
Capital Stock	9,418,671	9,418,671	0	0.00
Retained Earnings	4,664,437	5,059,836	395,399	8.48
Other Equity	(118,836)	(153,820)	(34,984)	(29.44)
Total Equity	13,964,272	14,324,687	360,415	2.58

Significant changes in the components of assets, liabilities and shareholders' equity (change in 20% of more and the amount changed approximated NTD 10 million) in the last 2 years, the main causes and the effect, and the plan for responding to the changes are specified below:

1. Decrease of intangible assets: mainly because of the decrease of project non-recurring costs, and the recognition of decrease in capitalization assessment.
2. Decrease of current liabilities: mainly because of the increase in net cash flow from operation, and repay the short-term loan.
3. Decrease of other equity: mainly because of exchange loss caused by fluctuations of USD exchange rate in AIDC USA LLC financial report. And the increase of unrealized losses from investments in equity instruments measured at fair value.

Note 1: The comparison is made by the audited figures in accordance with IFRSs in FY 2020-2021.

Note 2: Other assets include fair value through other comprehensive income noncurrent financial assets, noncurrent financial assets at cost, investment accounted for under the equity method, right-of-use assets, deferred income tax assets, prepayments for equipment, other noncurrent financial assets and other noncurrent assets.

1.2 Review and Analysis of Individual Company Financial Position:

Unit : NT\$ thousands

Title \ Fiscal Year	2020	2021	Difference	
			Amount	%
Current Assets	29,739,071	26,719,761	(3,019,310)	(10.15)
Real Properties, Plant and Equipment	9,297,653	9,412,918	115,265	1.24
Intangible Assets	1,156,321	906,544	(249,777)	(21.60)
Other Assets (Note 2)	3,825,123	3,691,018	(134,105)	(3.51)
Total Assets	44,018,168	40,730,241	(3,287,927)	(7.47)
Current Liabilities	21,181,710	16,289,122	(4,892,588)	(23.10)
Noncurrent Liability	8,872,186	10,116,432	1,244,246	14.02
Total Liabilities	30,053,896	26,405,554	(3,648,342)	(12.14)
Capital Stock	9,418,671	9,418,671	0	0.00
Retained Earnings	4,664,437	5,059,836	395,399	8.48
Other Equity	(118,836)	(153,820)	(34,984)	(29.44)
Total Equity	13,964,272	14,324,687	360,415	2.58

Title \ Fiscal Year	2020	2021	Difference	
			Amount	%
Significant changes in the components of assets, liabilities and shareholders' equity (change in 20% of more and the amount changed approximated NTD 10 million) in the last 2 years, the main causes and the effect, and the plan for responding to the changes are specified below:				
1. Decrease of intangible assets: mainly because of the decrease of project non-recurring costs, and the recognition of decrease in capitalization assessment.				
2. Decrease of current liabilities: mainly because of the increase in net cash flow from operation, and repay the short-term loan.				
3. Decrease of other equity: mainly because of exchange loss caused by fluctuations of USD exchange rate in AIDC USA LLC financial report. And the increase of unrealized losses from investments in equity instruments measured at fair value.				

Note1 : The comparison was made by the audited figures in accordance with IFRSs in FY 2020 and FY 2021.

Note 2: Other assets include fair value through other comprehensive income noncurrent financial assets, noncurrent financial assets at cost, investment accounted for under the equity method, right-of-use assets, deferred income tax assets, prepayments for equipment, other noncurrent financial assets and other noncurrent assets.

2. Review and Analysis of Financial Performance

2.1 Comparison of Consolidated Financial Performance Analysis in the Last 2 Years:

Unit : NT\$ thousands

Title \ Fiscal Year	2020	2021	Difference Amount	Difference %
Net Operating Income	21,042,937	23,734,566	2,691,629	12.79
Operating Cost	19,640,836	21,963,093	2,322,257	11.82
Operating Gross Profit	1,402,101	1,771,473	369,372	26.34
Operating Expense	1,222,277	1,280,132	57,855	4.73
Operating Net Profit	179,824	491,341	311,517	173.23
Non-operating revenues and expenditures	299,799	183,355	(116,444)	(38.84)
EBT	479,623	674,696	195,073	40.67
Income Tax Expense	83,765	116,683	32,918	39.30
Earnings Net in Current Period	395,858	558,013	162,155	40.96
Other Comprehensive Income (after taxation)	(34,350)	(9,225)	25,125	73.14
Total Comprehensive Income in Current Period	361,508	548,788	187,280	51.81

The major causes of significant changes in revenue, operating income and EBT (change of more than 20% and the absolute value of change amounted to NT\$10 million):

1. Increase of operating income: Due to the mass production of advanced jet trainer, and the civilian business benefit from the slowdown of the COVID-19 epidemic, with shipments increase.
2. Increase of operating gross profit, operating net profit, EBT, and earnings net in current period: Due to the mass production of advanced jet trainer, and the civilian business benefit from the slowdown of the COVID-19 epidemic, with shipments increase, which resulting in increased revenue.
3. Decrease of non-operating revenues and expenditure: mainly because of receiving the COVID-19 relief aid from government is less than previous year.
4. Increase of income tax expense: Due to increase of EBT.
5. Increase of other comprehensive income (after taxation): mainly because of exchange loss caused by fluctuations of USD exchange rate in AIDC USA LLC financial report. And the decrease of unrealized losses from investments in equity instruments measured at fair value.
6. Increase of other comprehensive income in current period: mainly due to the increase of earnings net in current period and other comprehensive income than previous year.

Note : The comparison was made by the audited figures in accordance with IFRSs in FY 2020 and FY 2021.

2.2 Comparison of Individual Company Financial Performance Analysis in the Last 2 Years:

Unit : NT\$ thousands

Title \ Fiscal Year	2020	2021	Difference Amount	Difference %
Net Operating Income	21,020,879	23,711,193	2,690,314	12.80
Operating Cost	19,665,936	21,985,251	2,319,315	11.79
Operating Gross Profit	1,354,943	1,725,942	370,999	27.38
Operating Expense	1,183,251	1,240,120	56,869	4.81
Operating Net Profit	171,692	485,822	314,130	182.96
Non-operating revenues and expenditures	234,401	125,604	(108,797)	(46.41)
EBT	406,093	611,426	205,333	50.56
Income Tax Expense	10,235	53,413	43,178	421.87
Earnings Net in Current Period	395,858	558,013	162,155	40.96
Other Comprehensive Income (after taxation)	(34,350)	(9,225)	25,125	73.14
Total Comprehensive Income in Current Period	361,508	548,788	187,280	51.81

The major causes of significant changes in revenue, operating income and EBT in the last two years (change of more than 20% and the absolute value of change amounted to NT\$10 million):

1. Increase of operating income: Due to the mass production of advanced jet trainer, and the civilian business benefit from the slowdown of the COVID-19 epidemic, with shipments increase.
2. Increase of operating gross profit, operating net profit, EBT, and earnings net in current period: Due to the mass production of advanced jet trainer, and the civilian business benefit from the slowdown of the COVID-19 epidemic, with shipments increase, which resulting in increased revenue.
3. Decrease of non-operating revenues and expenditure: mainly because of receiving the COVID-19 relief aid from government is less than previous year.
4. Increase of income tax expense: Due to increase of EBT.
5. Increase of other comprehensive income (after taxation): mainly because of exchange loss caused by fluctuations of USD exchange rate in AIDC USA LLC financial report. And the decrease of unrealized losses from investments in equity instruments measured at fair value.
6. Increase of other comprehensive income in current period: mainly due to the increase of earnings net in current period and other comprehensive income than previous year.

Note : The comparison is made by the audited figures in accordance with IFRSs in FY 2020 and FY 2021.

2.3 The Effect of the Reference for the Projection of Sale Volume on the Operation and Financial Position of the Company, and the Measures in Response:

AIDC projects its sale volume on the basis of market demand and development trend, the operation outlook of its customers, and the customer orders on hand and the production capacity. The outbreak of COVID-19 pandemic and its muted variants wrecked across the globe, forcing every country to perform rigorous border control. While the pandemic started to slow down in 2021 by the crucial development of vaccines and their increased production, the aviation industry was able to slowly recover from the deadly strike it had been suffered. The civil aviation business faces uncertainty , and expects slow return to growth in the long run.

1.4 Possible Effect on the Financial Position and Operation of the Company:

The aerospace industry has been dramatically impacted by the outbreak of COVID-19 pandemic, and according to the International Air Transport Association (IATA) forecast, the global passenger traffic (revenue passenger kilometers or RPKs) will not return to pre-COVID-19 levels until 2024. AIDC's leadership team exercise the balanced scorecard to conduct primary tasks of 2022, including the mass production of the Advanced Jet Trainer; the F-16A/B upgrade and the maintenance projects which include the IDF and the helicopters, strengthen its business deployment in the electric bus, power storage, carbon reduction, disaster prevention, flight service for atmospheric measurement, and technical services for the advanced simulation, elements of satellite, and communication system integration. By using strengths of the military business to compensate for the pandemic damages in the commercial aviation sector to sustain its operation.

2.5 Plan in Response: Not applicable.

3. Cash Flow and Liquidity Analysis

3.1 Liquidity Analysis of Consolidated Financial Data Over the Last 2 Years:

Title \ Year	2020	2021	Proportion of Change (%)
Cash flow ratio (%)	22.86%	27.71%	4.85%
Cash flow suitability ratio (%)	58.45%	65.67%	7.22%
Cash reinvestment ratio (%)	10.22%	11.07%	0.85%
Notes to the Analysis of the Proportion of Change: 1. Cash Flow Ratio increased : mainly because of the increase in net cash flow from operation, and repay the short-term loan. 2. Cash Reinvestment Ratio increased: mainly because of the increase in cash inflows from operating activities in the last 5 years and the decrease of earnings per share. 3. Cash Flow Suitability Ratio increased: mainly because of increase in cash inflows from operating activities, and the decrease of earnings per share.			

Note : The basis of comparison for FY 2020 and FY 2021 are the audited figures under IFRSs.

3.2 Liquidity Analysis of Individual Company Over the Last 2 Years:

Title \ Year	2020	2021	Proportion of Change (%)
Cash flow ratio (%)	22.86%	27.71%	4.85%
Cash flow suitability ratio (%)	58.45%	65.67%	7.22%
Cash reinvestment ratio (%)	10.22%	11.07%	0.85%
Notes to the Analysis of the Proportion of Change: 1. Cash Flow Ratio increased : mainly because of the increase in net cash flow from operation, and repay the short-term loan. 2. Cash Reinvestment Ratio increased: mainly because of the increase in cash inflows from operating activities in the last 5 years and the decrease of earnings per share. 3. Cash Flow Suitability Ratio increased: mainly because of increase in cash inflows from operating activities, and the decrease of earnings per share.			

Note : The basis of comparison for FY 2020 and FY 2021 are the audited figures under IFRSs.

3.3 Liquidity Analysis of the Year Ahead: Not applicable.

4. Major Capital Expenditure Items:

4.1 Major Capital Expenditure Items and Source of Capital:

Unit: NT\$ thousands

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure		
				2019	2020	2021
Plant and equipment	Equity fund and project loan	May, 2021	2,229,060	487,224	1,326,274	505,562

4.2 Expected Benefits

- (1) The major capital expenditure is mainly used on construction of Turbine Center Frames (TCF) and procurement of equipment. The TCF project is aim to expand capacity, scale and combine with networking function to promote the automation production of engine case, integrate the existing Case Plant 1, Case Plant 2 and Case Plant 3 to transmitted the real-time data for better management, to strengthen the producing process and lean logistic, and meet Industry 4.0 requirements.

- (2) AIDC combine the existing production information system, production management and process skill, introduce intelligent equipment and cultivate talents, enrich production lines, to reach competitive price, and upgrade domestic aerospace industry competitiveness, making the Company as the global engine manufacturing center.

5. Direct Investment in Previous Year and the Effect of Operation on the Income Status of the Company

5.1 The Outlook of Direct Investment:

AIDC direct investment policy follows the Company's business plan, seeks complementary resources, strengthen the core competence, to consolidate and extend the existing core business, and expand business opportunities to achieve the Company's vision.

AIDC has invested 5 companies in 2021 with 3 company's operation performance result in income loss, and the outlook is illustrated as the following table. The Company will continue to integrate its business with direct investment to improve the investment performance.

December 31, 2021/Unit : NT\$ thousands

Industry Type	Name of Investee	Income/Loss	Main Cause of Profit or Loss	Improvement Plan
Aerospace Manufacturing	AIDC USA LLC	213,290	The main cause of profit is the proactive expansion of service business and non-operating income of investment	—
Metal Manufacture	Jung Sheng Precision Ind. Co., LTD	(55,464)	The COVID-19 pandemic severely affect aerospace industry and leads to sharp drop in orders.	The company has broaden its income source by developing new market.
Avionics	AeroVision Avionics Inc.	(41,414)	The main causes of loss is the suspension and Postponed of orders which affected by COVID-19 pandemic.	The company implement measures such as, reduce operation cost, enhance employees training, and developed projects with customers to strive for related businesses.
Track Consulting	Metro Consulting Service Ltd.	2,433	The main cause of profit is the proactive expansion of service business and the effective control of operating expenses.	—
Other	UHT Unitech Co., Ltd.	(120,836)	The main causes of loss is the suspension of research projects which affected by COVID-19 pandemic.	Adjusted the business plan, use composite recycle know-how to build recycle chain, improve the company's operation, and attain circular economy.

Source: The audited FY 2020 financial statements of the above companies.

6. Risks under Assessment in Previous Year to the Date this Report was Printed

6.1 The Effect of Interest Rate and Exchange Rate Fluctuation and Inflation on the Income Level of the Company and the Responding Measures

6.1.1 The Effect of Interest Rate Fluctuation on the Income Level of the Company and the

Response in the Future

Interest income in FY 2021 amounted to NT\$2,991 thousand or accounted for 0.013% of the consolidated earnings. Interest expense in the same year amounted to NT\$133,243 thousand or accounted for 0.56% of the consolidated earnings. These figures indicated that interest expense has marginal effect on the income level of the Company. The Company also makes timely adjustment of the use of capital in line with the change in interest rate to mitigate the influence of interest rate fluctuation on income level.

6.1.2 The Effect of Exchange Rate Fluctuation on the Income Level of the Company and the Response in the Future

Net exchange decrease in FY 2021 amounted to NT\$145,231 thousand or accounted for 0.61% of the consolidated revenue. The Company has its export sales and purchases of the Company mostly denominated in USD and therefore takes the following measures to tackle with exchange rate fluctuation:

- 6.1.2.1** Gather timely information on the exchange rate and is engaged in frequent consultation with relevant financial institutions on mapping out the hedge strategy in exchange rate in order to keep abreast of the trend of exchange rate.
- 6.1.2.2** Manage the liabilities and assets denominated in foreign currencies through offsetting account payables and receivables with flexibility to minimize the effect of exchange rate fluctuation.
- 6.1.2.3** In compliance with the requirement of the competent authority, the Company has instituted the “Procedure for Derivative Trade” so as to use proper financial tool for hedging off the risk deriving from exchange rate fluctuation and minimize the impact of exchange rate fluctuation on the Company.

6.1.3 The Effect of Inflation on the Income Level of the Company and the Response in the Future

- (1) According to the Directorate-General of Budget, Accounting and Statistics, the CPI (Consumer Price Index) of 2021 increased 1.96%, while Core CPI(*) increased 1.33%, the effect of inflation was acceptable.

*Core CPI refers to the index eliminating short term or occasional factors (such as typhoon, war), in Taiwan it refers to the CPI indices excluding vegetables and energy (gas, electricity and oil prices)

- (2) AIDC shall continue to control cost through inventory management, procurement policy and process development and innovation; and shall continue to monitor inflation for adjustment. As such, the effect of inflation on its operation and profit position is not significant.

6.2 The Policy of the Company in Undertaking High Risk and High Leverage Investment, Lending to a Third Party, Guarantee and Endorsement, and Derivative Trade, the Main Causes of Profit or Loss, and the Response in the Future

- 6.2.1** The Company is conceived with the corporate philosophy of stable growth in its operation and only takes forwards contract for hedging. As such, the Company does not undertake any high risk or high leverage investment and financial operation.
- 6.2.2** The Board resolved in a session dated July 30, 2007 that the Company shall not engage in any lending to third party or undertaking of guarantee and endorsement.
- 6.2.3** In compliance with the requirement of the competent authority, the Company has instituted the “Procedure for Derivative Trade” as the guideline for derivative trade. From FY 2021 to March FY 2022, the Company has not conducted any derivative trade.

6.3 R&D Plan in the Future and Projected R&D Expenses

Bearing the national mission of independent defense, AIDC has made ceaseless effort over the years to develop related products and upgrade research capacity. The Company also cooperate with National Chung-Shan Institute of Science and Technology (NCSIST), and leverage strengths complementary in developing key technologies, and expand the edge in defense industry.

AIDC also cooperate with domestic firms in developing advanced technology, aim to leads domestic supply chain into next level, and be able to manufacture items that developed and procured from foreign manufacturers.

To achieve those goals, AIDC will continue to invest 2%~4% of the revenue per year in research and development for attaining the goal of the operation as planned.

6.4 Changes in the Legal and Policy Environment at Home and Aboard and its Influence on the Operation and Financial Position of the Company, and the Response

The Company runs its operation in compliance with applicable legal rules at home and abroad, and pays close attention to any change in the policy and legal environment. The Company responds to any change in the policy and legal environment by making appropriate adjustment in related business and financial operation. In the previous year to the date this report was printed, the Company has not been affected by any change in the policy and legal environment at home and abroad.

6.5 The Effect of Technological (including information security) and Industrial Changes on the Operation and Financial Position of the Company and the Response

For environmental protection, demands for light weight, fuel efficiency, and low carbon emission continue to lead the design and development of new aircrafts and engines, and the application of composite materials also plays a key part in this trend. To bolster its position as tier 1 supplier of Airbus, in addition to TACC, AIDC further invested in the construction of TACC #19 dedicated to the production of composite parts and components for the popular single aisle A320 series aircraft. To satisfy the strong demand of GE and Rolls-Royce for green engines, Engine Case Manufacturing Center (ECMC) was thus built and certified for production, and has gradually generating revenue.

AIDC, being the first approved manufacturer in Asia to manufacture the high-precision hot section module for GE LEAP engine, has currently building Turbine Center Frames (TCF) which mainly supply the hot section module for GE LEAP engine. With the robust demand of LEAP engine and its orders exceeding 75% market share of single-passenger passengers, it is expected to see the increasing shipment once the deliveries is made and thus leads the momentum of the engine market.

Further to the above, more requirements for partner selection by international aerospace companies are seen. In addition to the basic ones such as quality, cost and delivery, Boeing and Airbus expect suppliers to work towards automated and intelligent production to enhance flexibility and competitiveness. Based on this, AIDC adopted Industry 4.0 concept to develop the iAIDC intelligent manufacturing platform which incorporates intelligent machinery, intelligent manufacturing and intelligent management. This effort not only won recognition from international customers such as GE, but also established AIDC as the leader in the field of intelligent and high value-added aerospace technology development in Taiwan, which greatly facilitates the enhancement of competitive power and contribute to the financial position and operation of the Company.

Regarding the security risks of information communication, there's increasing possibility of hacking since remote work becomes working norm. Meanwhile, the rampant attacks of encryption ransomware, and variant attack methods, raise the risks of the Company's financial business. In the face of the aforementioned information security threats, the company has taken countermeasures, including strengthening information security joint defense, practice of operation continuity and emergency recovery, enhance information security incident reporting and response to lower risk.

6.6 The Effect of the Change in Corporate Image on Corporate Crisis Management and the Response

AIDC is strictly attached to its corporate philosophy of "Accountability, Integrity, Innovation, Dedication, and Customer Orientation" and its corporate culture and seeks to upgrade its technology in the production and manufacturing of aircrafts and quality management at all times. It also seeks to enhance its relation with the customers and create value for the customers, and spares no effort in upgrading its quality and efficiency through internal management and external inspection. AIDC has

positive corporate image and has no significant change in such image that may result in corporate crisis.

6.7 Expected Return On and Possible Risk from Mergers and Acquisitions, and the Response

In the previous year to the date this report is printed, AIDC has no plan for acquiring any other companies. If there is such a plan in the future, AIDC will take caution in the assessment and will fully consider the synergy after the merger, and comply with applicable legal rules and the internal code of the Company to protect the interest of the Company and shareholders' equity.

6.8 Expected Return On and Possible Risk from Capacity Expansion, and the Response

AIDC has already secured business from international giant firms in engine case and components and parts in composite materials, and military aircraft maintenance. After its consultation with the international giant firms, AIDC has constructed and ensured new plants for housing the engine case manufacturing center, composite materials manufacturing center, and the depot for the maintenance of military aircraft. In 2020, the Company has adjusted two projects in correspondent to the downward factors such as Boeing 737 Max suspension, COVID-19 pandemic, GE Leap-1B business cuts. The expected result, possible risk, and response of these two projects are elaborated below:

6.8.1 Turbine Center Frames (TCF)

6.8.1.1 Expected Result: capacity expansion can help to accommodate a large volume of engine case and composite materials production and the maintenance of military aircrafts. This helps to satisfy the needs of customer orders and also enhance the economic efficiency.

6.8.1.2 Possible Risk and Response: the Company has completed its assessment on Turbine Center Frames (TCF) including the schedule of plant construction, business volume, cost of production, and the sources of capital, and has mapped out the goals for managing relevant risks and a backup plan as follows:

- (1) Risk of plant construction: The construction schedule is relatively urgent, therefore the division of labor has been assigned to speed up the internal and external review, and a factory construction team has been established to supervise and control the construction schedule.
- (2) Risk of equipment purchase: The aviation industry is severely impacted by the COVID-19 pandemic and Boeing 737 Max suspension, in respond to need of securing cash flow, AIDC has rescheduled the planned date of equipment set up to May 2021.

6.8.2 1200 ton Plate Stretching Machine project

6.8.2.1 Expected Result: The Company's largest existing plate stretching machine is a 750 ton type which used for 28 years and facing frequent malfunction. In order to meet customer's demand and on time delivery, the procurement project of 1200 ton plates stretching machine was passed by Board of Directors on March 27, 2020, in hope to increase the Company's competitive edge in manufacturing large size of iron parts and fuselage skin.

6.8.2.2 Possible Risk and Response: The company has completed the assessment of the procurement schedule, business volume, production cost, source of capital, and taking factors of the COVID-19 epidemic into consideration and has rescheduled the planned date of equipment set up to 2023 and expected to operate in May 2023.

6.9 The Risk Deriving from Concentration of Purchase or Sales and the Response

6.9.1 Assessment of the Risk Deriving from Concentration of Purchase and the Response:

The procurement of AIDC is mainly based on the procurement operation procedure of AIDC. Purchase will be made by tender offer by nature of the content of purchase, and could be classified as public tender, selective tender, restricted tender and joint supply contracts. The top 10 suppliers of AIDC in the last 3 years accounted for 41.19%, 38.64% and 38.97% of purchase, respectively. The number one supplier in these years accounted for 9.49%, 18.77% and 9.82% of the purchase of respective years. There is no particular supply that purchases amounted to 20% or more. AIDC has developed strong bonding with key suppliers in the long run and the supply from these suppliers in the last 3 years was good. There is no shortage of supply, severing of supply or delay that affected production. There is no over concentration of

purchase either.

6.9.2 Assessment of Risk Deriving from Concentration of Sales and the Response

Conceived with the mission of “consolidate national self-reliant defense, lead industrial upgrade, enhance aerospace industry development and promote economic prosperity”, AIDC concentrated its sales to the Ministry of Defense in the past. Under the increasing attention of the international aerospace firms in aerospace technologies, AIDC sought to develop new overseas customers in aircrafts and engines. As such, the business line has been changed from military supply to a proper balance between military supply and commercial use. The biggest customer is still the Ministry of National Defense whose share of business accounted for 90% at the initial stage of the operation, and fell gradually due to the increase of commercial aviation business. As such, there is no risk of concentration of sales.

6.10 The Massive Transfer or Swap of Shares by the Directors, Supervisors, or Dominant Shareholders Holding more than 10% of the Stakes and the Influence, Risk on the Company and the Response

From 2021 to the date this report is printed, there is no massive transfer or swap of shares by directors, supervisors, or dominant shareholders holding more than 10% of the stakes.

6.11 The Influence On and the Risk Deriving from the Change in the Management and the Response

The Ministry of Economic Affairs is still the dominant shareholders by holding specific proportion of the shares after privatization of AIDC. As such, the change in equity structure did not cause any unfavorable influence on the management.

6.12 Lawsuits or Non-contentious Matters

6.12.1 Are there suits, non-contentious matters or administrative action, ruled or still pending, in the last 2 years to the date this report was printed, and the result may cause significant influence on the shareholders’ equity or stock price? Disclose the facts, the targeted amount involved, the starting date of the actions, the parties concerned in the actions, and the status of the actions:

AIDC has 2 pending lawsuits, the company has recognized amount according to the judgment result. As such, there is no significant influence on the shareholders’ equity or stock price of the Company.

6.12.2 Directors, Supervisors, President, the Deputy Agent of the Company, and Shareholders Holding More than 10% of the Stakes and their Subsidiaries, who were Involved in Law Suits, Non-contentious Matters, or Administrative Actions, Ruled or Pending, in the Last 2 Years to the Date this Report was Printed, and the Result may Cause Significant Influence on the Shareholders’ Equity or Stock Price: None.

6.13 Other Major Risks and the Responses: COVID-19 Pandemic

In response to the havoc wreaked by the COVID-19 pandemic at the beginning of the year, AIDC has identified, assessed and propose measures to the potential upcoming risk on COVID-19 pandemic, the risk management chart of 2021 is adjusted accordingly. Meanwhile, Strategy Meetings have been called every day to monitor operational risks and review implementation on the following two aspects:

- (1) Operational aspect: The Company has imposed three measures of broadening sources of income, reducing expenditure and gaining strength, and established Business Information Office to detect signals of global aerospace manufacturing recovery.
- (2) COVID-19 Prevention Project: The Company has formulated “Guidelines for the Adoption of COVID-19 Prevention Measures for AIDC Employees” and revised according to government’ instruction. The company implement measures such as conduct daily temperature checks and disinfect working

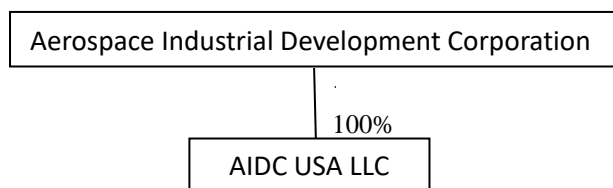
environment frequently to provide employees a safe workplace. To reduce the risk of COVID-19 transmission disrupt production, the company has planned scheme of working shift and working area in advance, which can be adopted when necessary.

7. Other Important Notice: None.

VIII. Special Notes

1. Affiliates Information:

1.1 Organizational Chart of the Affiliates



1.2 Information of the Affiliates

Name	Incorporation Date	Address	Capital	Main Business Items
AIDC USA LLC	March 2, 2016	2999 N. 44 St. STE 514 Phoenix, AZ85018	US\$9,470,000	Program management and relevant services for purchasing and selling of raw materials, parts and components of aircraft, engines and subsystems

1.3 Companies presumed to have a relationship of control and subordination that have the shareholders in common: None.

1.4 The industries covered by the business operated by the affiliates overall: AIDC USA LLC is the sole affiliate AIDC currently has, and its main business items are specified in item 1.2 above.

1.5 Details of Directors, Supervisors and Managerial Officer of Affiliates

Dec. 31, 2021; Unit: shares

Name of Affiliate	Title	Name or Representative	Shareholding	
			Number of Share	Shareholding ratio
AIDC USA LLC	Chairman President	Hu, Kai-Hung Wang, Chien Ping	Capital contribution by AIDC US\$9,470,000 (Note)	100%

Note: A limited liability company without issuing shares; no information on quantity of shares is applicable.

1.6 Operations of the Affiliates

Dec. 31, 2021; Unit: US\$ thousands

Name	Capital	Total Assets	Total Liabilities	Book Value	Revenue	Operating Income	Net Income
AIDC USA LLC	9,470	45,161	754	44,406	2,287	197	7,615

1.7 Consolidation of Financial Statements of Affiliates

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the

consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

2.Private Placement Securities in 2021 and as of the Date of this Annual Report: None.

3.Status of AIDC Common Shares and ADRs Acquired, Disposed of, and Held by Subsidiaries: None.

4.Other Necessary Supplement: None.

5. Any Events in 2021 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

Aerospace Industrial Development Corporation



Chairman Kai-Hung Hu



Accountability • Innovation • Dedication • Customer Orientation

Aerospace Industrial Development Corporation